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# Board Action Bulletin

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PREPARED BY THE OFFICE OF PUBLIC AND CONGRESSIONAL AFFAIRS

NCUA BOARD MEETING RESULTS FOR SEPT. 12, 2013

## Charitable Donations Rule Proposed

***Board Also Streamlines Fixed Assets Rule and Approves Peoples Advantage Federal Credit Union Expansion***

**ALEXANDRIA, Va. (Sept. 12, 2013)** – The National Credit Union Administration Board convened its eighth scheduled open meeting of 2013 at the agency’s headquarters here today. The Board unanimously approved three items:

- A proposed rule to allow federal credit unions to create and fund charitable donation accounts to facilitate charitable activities by credit unions.
- A final rule streamlining the regulation of federal credit unions’ ownership of fixed assets.
- An expansion of the Peoples Advantage Federal Credit Union’s community charter to serve nearly 850,000 new members in Richmond, Va.

### ***Proposed Rule Would Authorize Charitable Donation Accounts***

NCUA’s Board has long recognized that making charitable donations is a desirable and appropriate activity for federal credit unions, and the new proposed rule (Parts 703 and 721) would allow credit unions, under certain circumstances, to fund charitable donation accounts.

Charitable donation accounts are hybrid charitable and investment vehicles that primarily benefit charity. Through charitable donation accounts, federal credit unions would be able to make investments that are otherwise prohibited, because of the primarily charitable purposes.

“Earlier this year, officials from federal credit unions told us that our investment rule prevented them from investing in third-party trust accounts that help fund charitable causes or events,” NCUA Board Chairman Debbie Matz said. “Through my Regulatory Modernization Initiative, we worked to fix this unintended consequence.

“We want federal credit unions to have the ability to make charitable investments in a way that supports charitable work and is not used to prop up an income statement with potentially risky investments. So, we are creating this narrow exemption to our investment rules to facilitate charitable donations.”

The proposed rule would allow federal credit unions to invest in charitable donation accounts while creating safeguards to ensure the donations are used for their intended charitable purposes.

The proposed rule contains several requirements for federal credit unions that invest in these accounts, including:

- The primary purpose of the accounts must be to generate funds for tax-exempt charities chosen by credit unions.
- The total investment in all such accounts must be limited to three percent of the credit union's net worth for the duration of the accounts.
- A minimum of 51 percent of the total return from such an account must be distributed to one or more qualified charities.
- Distributions must be made to qualified charities no less frequently than every five years.
- Assets of these accounts must be held in segregated custodial accounts or special purpose entities regulated by the Office of the Comptroller of the Currency, the U.S. Securities and Exchange Commission or other federal regulatory agency.

Comments on the proposed rule, available [here](#), must be received within 30 days of publication in the *Federal Register*.

### ***Board Simplifies and Clarifies Fixed Assets Ownership Rule***

The Board finalized an amendment to the rule on federal credit unions' ownership of fixed assets (Section 701.36). The changes simplify and clarify the existing regulation. The rule does not make substantive changes to the regulation or impose new requirements for fixed assets.

“The latest product of my Regulatory Modernization Initiative is the final rule on fixed assets, which Board Member Fryzel suggested we streamline,” Matz said. “Through the changes approved today, credit unions should find the regulation easier to follow.”

NCUA's fixed assets rule allows federal credit unions to purchase, hold and dispose of property necessary or incidental to their operations. These fixed assets include office buildings, branch facilities, furniture, computer hardware and software, ATMs and parking lots.

A key provision of the amended rule offers greater flexibility to federal credit unions. Those that receive a waiver from the five percent fixed assets limit will have the ability to make multiple purchases of fixed assets within a one percent buffer above their approved waiver limit. This change is intended to eliminate the need for a federal credit union to make repeated waiver requests for minor acquisitions.

In keeping with the Plain Writing Act of 2010, the rule revises the regulation for clarity and readability. The rule also reorganizes existing definitions and adds new definitions for the terms “partially occupy” and “unimproved land or unimproved real property.” The changes clarify a potentially confusing aspect of the current regulation.

The final fixed assets rule, available online [here](#), will be effective 60 days from the date of publication in the *Federal Register*.

### ***Peoples Advantage Federal Credit Union Charter Expanded***

More than 1.2 million people in the Richmond, Va., area are now potential members of Peoples Advantage Federal Credit Union, headquartered in Petersburg, Va., after the NCUA Board approved expansion of the credit union's community charter to include the entire Richmond Metropolitan Statistical Area.

The Richmond MSA currently has only one other federal community credit union serving the entire MSA.

“Peoples Advantage is already serving two underserved areas in the Richmond MSA. Yet there are tens of thousands of underserved people in the surrounding communities,” Matz said. “This credit union seems to be expanding for all the right reasons. It will offer products designed to attract underserved borrowers, including short-term small loans, loans to rebuild credit, and loans to assist households that are struggling.”

Chartered in 1966 as Fibers Federal Credit Union to serve employees of Allied Signal, Inc., Peoples Advantage later switched to a multiple common-bond charter and grew to serve 50 select groups and two underserved areas. Peoples Advantage then converted to a community charter in 2008 to serve four counties and three cities in the vicinity of Richmond.

Peoples Advantage serves 7,491 members and has assets of \$53.5 million, according to its most recent Call Report. Before the expansion, the credit union had a potential field of membership of 402,000. With the expansion, the credit union may serve an additional 850,000 persons who live, work, worship or attend school in, and businesses and other legal entities located in, the Richmond MSA.

Board approval is required for community charters to serve a population of more than 1 million.

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