

NCUA LETTER TO CREDIT UNIONS

**NATIONAL CREDIT UNION ADMINISTRATION
1775 Duke Street, Alexandria, VA 22314**

DATE: April 2013 **LETTER NO.:** 13-CU-04
TO: Federally Insured State-Chartered Credit Unions (FISCUs)
SUBJ: Streamlined Process for Evaluating Low-Income Designation

Dear Board of Directors and Chief Executive Officer:

Your federal insurer and state regulator have streamlined the process to determine whether your credit union qualifies for a “low-income” designation. If you are eligible to accept the designation, your credit union would be authorized to receive several forms of statutory and regulatory relief:

- Raise supplemental capital that counts toward net worth;
- Accept non-member deposits from any source;
- Make member business loans beyond the statutory cap;
- Apply for grants and low-interest loans from the National Credit Union Administration’s Community Development Revolving Loan Fund.

This letter highlights the procedural changes that will allow you to check your credit union’s eligibility for a low-income designation.

How has NCUA streamlined the low-income designation process for FISCUs?

Through a cooperative effort between NCUA and the National Association of State Credit Union Supervisors, state regulators can now elect to provide encrypted member geographic data to NCUA when uploading examinations.

NCUA will use that confidential membership data solely to determine which FISCUs are eligible for a low-income designation.

NCUA will provide a list of eligible FISCUs to state regulators on a quarterly basis.

Who issues the low-income designation to FISCUs?

State regulators have the sole authority to make the low-income designation for FISCUs.

NCUA will then concur with the state regulator’s determination if a FISCU qualifies for a low-income designation under federal regulatory thresholds.

What would my credit union need to do to obtain a low-income designation?

To qualify as a low-income credit union (LICU), a majority of your membership must meet low-income thresholds defined in the NCUA Rules and Regulations.

In general, for members to meet the low-income thresholds, their income must be at or below 80 percent of comparable median family income or median earnings for individuals in their geographic area, their state, or the nation. Refer to NCUA's rule for further details.¹

Your state regulator has the option of using the membership information NCUA provides as a starting point for determining if they can approve your low-income designation.

If your credit union has not received your regular annual exam yet, you can contact NCUA to perform analysis at any time to determine your eligibility.

If you have any questions regarding the low-income designation, please contact NCUA's Office of Consumer Protection at 703-518-1150 or DCAMail@ncua.gov.

Sincerely,

/s/

Debbie Matz
Chairman

¹ Part 741 Section 741.204, which incorporates by reference Part 701 Section 701.34.