

## BOARD ACTION MEMORANDUM

**TO:** NCUA Board

**DATE:** January 7, 2013

**FROM:** Office of Executive Director

**SUBJ:** Asset Thresholds affecting  
Regulatory Relief for Small Credit  
Unions; IRPS 13-1 & 12 C.F.R.  
§§ 702.103; 741.3; 791.8.

**ACTION REQUESTED:** Board approval of the final rule and Interpretive Ruling and Policy Statement (IRPS) updating NCUA's definition of the term small entity for purposes of the Regulatory Flexibility Act (RFA)<sup>1</sup> to include credit unions with less than \$50 million in assets, subject to review initially within two years and, subsequently, every three years. The final rule and IRPS amends two NCUA regulations that apply asset thresholds to risk-based net worth and interest rate risk provisions and amends another provision that cross references the proposed IRPS.

**DATE ACTION REQUESTED:** January 10, 2013

**OTHER OFFICES CONSULTED:** Office of Examination and Insurance, Office of General Counsel, Office of Small Credit Union Initiatives, and All Regional Offices.

**VIEWS OF OTHER OFFICES CONSULTED:** Concur.

**BUDGET IMPACT, IF ANY:** None.

**SUBMITTED TO INSPECTOR GENERAL FOR REVIEW:** Yes.

**RESPONSIBLE STAFF MEMBERS:** Deputy Executive Director John Kutchev, Trial Attorney Kevin Tuininga, Senior FFIEC Advisor Joy Lee

**SUMMARY:** At the September 2012 NCUA Board meeting, staff proposed increasing the RFA asset threshold from \$10 million to \$30 million. Based on further analysis of relevant call report and risk data and received comments, staff is revising its recommendation to increase the RFA asset threshold from \$10 million to \$50 million. This threshold will be reviewed initially within two years and then every three years, along with all NCUA regulations.

With the change in the asset threshold for the RFA from \$10 million to \$50 million, more than 4,600 credit unions with less than \$50 million in assets will be eligible for assistance from the Office of Small Credit Union Initiatives (OSCUI). OSCUI is preparing to handle the potential increase in workload by redesigning its service delivery to focus on impact and self-help:

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<sup>1</sup> The RFA generally requires federal agencies to determine whether a proposed or final rule will have a significant economic impact on a substantial number of small entities and, if so, prepare an analysis that describes the rule's impact on small entities, including any significant alternatives that minimize the impact. 5 U.S.C. §§ 603, 604, & 605(b).

- OSCUI's Economic Development Specialists are changing to a triage approach, providing consulting services more efficiently by phone, web, group training, and referral, as an alternative to onsite visits;
- OSCUI is providing webinar training in place of in-person workshops; and
- OSCUI recently unveiled a microsite which will include a resource center to provide self-help for credit unions.

These changes will permit OSCUI to provide assistance to credit unions falling below the RFA threshold of \$50 million without additional staffing.

The examination program will remain the same for credit unions falling under the RFA threshold. In January 2012, the agency introduced a streamlined examination for credit unions with less than \$10 million in assets and a CAMEL rating of 1, 2, or 3. The effectiveness of this examination program will be evaluated in 2013. During this evaluation, the Office of Examination and Insurance will determine whether a different examination program should be developed for credit unions with assets between \$10 million and \$50 million. At this time, no other changes to the examination program, including examination frequency, are recommended as a result of increasing the RFA asset threshold.

**RECOMMENDED ACTION:** Approve the final rule and IRPS 13-1, updating the definition of small entity to include credit unions with less than \$50 million in assets for purposes of the RFA, subject to review initially within two years and, subsequently, every three years. Approve corresponding changes, where the Board has such authority, to sections 702, 741, and 791 of the NCUA regulations, updating the asset thresholds in the provisions defining which credit unions are subject to risk-based net worth requirements and interest rate risk policy and program requirements.

**ATTACHMENTS:** Final rule and IRPS 13-1.