

BOARD ACTION MEMORANDUM

TO: NCUA Board

DATE: April 16, 2010

FROM: Office of General Counsel

SUBJ: Proposed Rule – §701.21

ACTION REQUESTED: Board issuance of the attached proposed rule with a 60-day comment period.

DATE ACTION REQUESTED: April 29, 2010.

OTHER OFFICES CONSULTED: All Regional Directors and All Office Directors.

VIEWS OF OTHER OFFICES CONSULTED: Concur.

BUDGET IMPACT, IF ANY: None.

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: Yes.

RESPONSIBLE STAFF MEMBER: Justin M. Anderson, Staff Attorney, Office of General Counsel.

SUMMARY: The attached rule would amend the general lending rule, 12 C.F.R. §701.21, by permitting a higher interest rate ceiling for short-term, small-dollar loans but would impose limitations on the permissible term, amount, and fees for these loans. These amendments will permit FCUs to make loans cost effective while the limitations will appropriately confine the product to meeting its purpose as an alternative to predatory credit products.

RECOMMENDED ACTION: Recommend the Board issue the proposed rule with a 60-day comment period.

ATTACHMENT: Draft Proposed Rule.