

BOARD ACTION MEMORANDUM

TO: NCUA Board

DATE: December 13, 2011

FROM: Office of General Counsel
Office of Examination & Insurance

SUBJ: Proposed Rule – Eligible Obligations, Charitable Contributions, Nonmember Deposits, Fixed Assets, Investments, Member Business Loans, and Regulatory Flexibility Program

ACTION REQUESTED: Board approval to issue the attached proposed rule eliminating the Regulatory Flexibility Program (RegFlex) rule and charitable contributions rule as well as to make corresponding amendments to related subject matter rules.

DATE ACTION REQUESTED: December 15, 2011.

OTHER OFFICES CONSULTED: E&I, Regions, OCCU, OSCUI, OCE.

VIEWS OF OTHER OFFICES CONSULTED: Concur.

BUDGET IMPACT, IF ANY: None.

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: Yes.

RESPONSIBLE STAFF MEMBERS: Chrisanthy Loizos, Staff Attorney, Office of General Counsel.

SUMMARY: The proposed rule eliminates the RegFlex and charitable contributions rules applicable to federal credit unions (FCUs) in their entirety. It amends the nonmember deposits, fixed assets, and investment (zero-coupon investments, borrowing repurchase transactions, and commercial mortgage related securities) rules to allow FCUs that do not meet the well capitalized standard to engage in expanded activities previously only permitted for RegFlex FCUs. The rule places certain safety and soundness conditions on the expanded investment activities and affords an FCU that does not meet the well capitalized standard the opportunity to seek additional authority for these investment activities from its NCUA regional director. In addition, it transfers the authority under the RegFlex rule for the purchase of certain nonmember loans into the eligible obligations rule.

RECOMMENDED ACTION: The NCUA Board issue the attached proposed rule.

ATTACHMENT: Proposed rule.