BOARD ACTION MEMORANDUM

TO: NCUA Board

DATE: January 6, 2012

FROM: Larry Fazio, Director
Office of Examination & Insurance

SUBJ: Final Rule
Part 741

ACTION REQUESTED: NCUA Board’s approval of proposed rule to require a written interest rate risk policy and an interest rate risk management program as a requirement for insurance for all federally insured credit unions (FICUs). The rule excludes FICUs below $10 million in assets and FICUs $10-50 million with a percentage of first mortgages and investments greater than 5 years that is less than 100% of net worth. 12 C. F. R. Part 741.

ACTION REQUESTED: January 26, 2012.

OTHER OFFICES CONSULTED: Office of General Counsel, Office of Examination and Insurance, Office of Small Credit Union Initiatives, Office of Corporate Credit Unions, and Regional Directors.

VIEWS OF OTHER OFFICES CONSULTED: Concur.

SUBMITTED TO THE INSPECTOR GENERAL FOR REVIEW: Yes.

BUDGET IMPACT, IF ANY: None.

RESPONSIBLE STAFF MEMBER: Mark D. Vaughan, Deputy Director, Office of Examination & Insurance and Jeremy Taylor, Senior Capital Markets Specialist, Office of Examination & Insurance.

SUMMARY: The rule revises NCUA’s rules and regulations Part 741.3(b) to add a written interest rate risk policy and an interest rate risk management program as a requirement for insurance for all federally insured credit unions (FICUs). The rule also provides guidance to FICUs on how to establish an interest rate risk policy and effective program. The rule excludes FICUs below $10 million in assets and FICUs $10-50 Million with a percentage of first mortgages and investments greater than 5 years that is less than 100% of net worth. The rule is effective 6 months after publication in the Federal Register.

RECOMMENDED ACTION: Recommend the Board approve and issue the final rule as a requirement for insurance.

ATTACHMENT: Final Rule