BOARD ACTION MEMORANDUM

TO: NCUA Board

DATE: May 4, 2012

FROM: Office of General Counsel
Office of Examination & Insurance

SUBJ: Final Rule – Eligible Obligations, Charitable Contributions, Nonmember Deposits, Fixed Assets, Investments, Fidelity Bonds, Incidental Powers, Member Business Loans, and Regulatory Flexibility Program

ACTION REQUESTED: Board approval to issue the attached final 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: May 24, 2012.

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

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 final rule eliminates the RegFlex and charitable contributions rules applicable to federal credit unions (FCUs) in their entirety. It amends the nonmember deposits, fixed assets, investment (zero-coupon investments, borrowing repurchase transactions, and commercial mortgage related securities), fidelity bond, incidental powers, and member business loan 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 final rule.

ATTACHMENT: Final rule.