

BOARD ACTION MEMORANDUM

TO: NCUA Board

DATE: December 10, 2013

FROM: Office of General Counsel

SUBJ: Proposed Rule – Contacts with Federal Credit Unions, Parts 701

ACTION REQUESTED: Board approval to issue the attached proposed rule on requirements for contacts with federal credit unions.

DATE ACTION REQUESTED: December 12, 2013.

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

VIEWS OF OTHER OFFICES CONSULTED: Concur.

BUDGET IMPACT, IF ANY: None.

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: Yes.

RESPONSIBLE STAFF MEMBERS: Elizabeth Wirick, Staff Attorney, Office of General Counsel.

SUMMARY: A small number of FCUs lack retail office space and operate from officials' homes. These home-based credit unions operate in a variety of settings, including rooms in homes, separate apartments attached to homes, separate buildings on residential premises such as garages, and separate apartments within a residential apartment building. All of these types of locations raise similar concerns in terms of working conditions and safety for NCUA staff, as well as member accessibility.

The proposed rule would add new section 701.40 to part 701 of NCUA's regulations to address issues related to home-based credit unions. The proposal has two sets of requirements. The first set of requirements would apply 30 days after the Board publishes a final rule. Another set of requirements replaces the first version two years later.

The portion of the proposal that would apply soonest requires that any supervisory meetings between an FCU and NCUA staff occur at an FCU's offices or another alternative public location. The definition of "office" excludes private homes, as well as separate areas of residential premises. The proposal also specifies that any home-based FCU official that meets with NCUA staff at an alternative public location must deliver all necessary records to that location. Finally, the proposal requires FCUs to maintain and monitor, at a minimum, either an electronic mail address or a telephone number.

The portion of the proposal that would go into effect two years after the final rule's effective date would prohibit FCUs from operating out of homes. This part of the proposal would also prohibit storage of FCU records at residential locations and continue to require FCUs to maintain at least one method of contact.

The delayed effective date for the requirement for FCUs to have an office location is designed to allow affected FCUs time to adapt to this change. The more immediate requirement to meet in public places improves working conditions for NCUA staff in the short term without immediately imposing a new requirement on small FCUs.

RECOMMENDED ACTION: Board approval to issue the proposed rule with a 30-day comment period.

ATTACHMENT: Proposed rule.