Final Rule
§701.32
Payment on shares by public units and nonmembers
October 24, 2019
# Public Unit and Nonmember Shares

<table>
<thead>
<tr>
<th>Item</th>
<th>May 23 2019 Proposed Rule</th>
<th>October 24 2019 Final Rule</th>
<th>Changes to Final Rule</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limit</td>
<td>50% (PIUCS-PUNM)</td>
<td>Higher of 50% (PIUCS-PUNM) or $3 million</td>
<td>Addition of $3 million alternative</td>
</tr>
<tr>
<td>Exemption</td>
<td>No Exemption</td>
<td>No Exemption</td>
<td>No change</td>
</tr>
<tr>
<td>CU Plan</td>
<td>70% of PIUCS</td>
<td>70% of PIUCS</td>
<td>No change</td>
</tr>
</tbody>
</table>

PIUCS = Paid-in and unimpaired capital and surplus  
PUNM= Public Unit and Nonmember Shares

**Item Definitions:**

**Limit** = Aggregate amount of Public Unit and Nonmember shares as a percentage of the net amount of Paid-in and unimpaired capital and surplus less Public Unit and Nonmember Shares.

**Exemption** = The final rule will not provide any exemption to the limit of Public Unit and Nonmember shares a credit union may accept.

**Credit Union Plan** = A FICU would be required to develop a plan regarding the intended use of any borrowings, public unit, or nonmember shares that, taken together, exceed 70 percent of the FICU’s paid-in and unimpaired capital and surplus.
What counts towards the 50% Limit?

<table>
<thead>
<tr>
<th>Source</th>
<th>Member</th>
<th>Nonmember</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Unit</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Other Credit Unions</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Any Source (LICUs Only)</td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>

**Public Unit** - The term *public unit* means the United States, any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Panama Canal Zone, any territory or possession of the United States, any county, municipality, or political subdivision thereof, or any Indian tribe as defined in section 3(c) of the Indian Financing Act of 1974.

**LICUs** – See §701.34(a)
Credit Union sources of PUNM

- **All FICUs**
  - **LICU**
    - Any Source
  - **Non-LICU**
    - Other FICU and any Public Unit

- **Method**
  - Broker or Listing Service
  - Direct

- **Products**
  - Public Unit & Nonmember

Depending on the LICU status and any other State laws, Public Unit and Nonmember Shares can be sourced from Members or Nonmembers and either Direct, through a Listing Service or Broker.
Credit Union use of Public Unit and Nonmember Deposits

Industry Totals for PUNM (June 2019)

- Total $16 billion (1% of Assets)
- Nonmember PU $2 billion
- Member Public Unit, $3 billion
- Non-Mem Deposits, $11 billion

Public Unit and Nonmember Shares fund 1% of Total assets at an industry level.

Industry funding as a percentage of total assets (June 2019 data)

- All PUNM, 1%
- Other, 2%
- Borrowings, 3%
- Equity, 11%
- Member Shares before Public Unit, 83%
Clarification to the May 2019 Board meeting chart on Balance Sheet Leverage

Generally, net worth ratio needed to fully utilize both the Public Unit and nonmember shares authority (§701.32) and the Borrowings authority (§741.2) is approximately $16\%$.

* Assuming the liabilities and equity consist entirely Paid-in and unimpaired capital and surplus
Effective Date

Final Rule Will Take Effect 90 Days following Publication in the *Federal Register*