TO:       NCUA Board

FROM:      Office of General Counsel
           Office of Examination and Insurance

DATE: May 18, 2020

SUBJ: Interim Final Rule: Overdraft Policy
      (Part 701)

ACTION REQUESTED: NCUA Board approval to issue the attached interim final rule for a
30-day comment period.


OTHER OFFICES CONSULTED: Office of Consumer Financial Protection

VIEWS OF OTHER OFFICES CONSULTED: Concur

BUDGET IMPACT, IF ANY: None.

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: Yes.

RESPONSIBLE STAFF MEMBERS: Alison Clark, Chief Accountant, Office of Examination
and Insurance; Thomas Zells, Staff Attorney, Office of General Counsel.

SUMMARY: This interim final rule modifies one of the requirements that a federal credit union
(FCU) must adopt as a part of their written overdraft policy. Specifically, the interim final rule
modifies the requirement that an FCU’s written overdraft policy establish a time limit, not to
exceed 45 calendar days, for a member to either deposit funds or obtain an approved loan from
the FCU to cover each overdraft. The interim final rule removes the 45-day limit and replaces it
with a requirement that the written policy must establish a specific time limit that is both
reasonable and applicable to all members, for a member either to deposit funds or obtain an
approved loan from the credit union to cover each overdraft. Consistent with U.S. generally
accepted accounting principles (GAAP), overdraft balances should generally be charged off
when considered uncollectible. This change will improve a requirement that is not only overly
prescriptive, but could be especially detrimental as FCUs take steps to provide their members the
flexibility needed to cope with the impacts of COVID-19.

The rule is being issued without notice-and-comment procedures and with an immediate effective
date because of the unprecedented nature and urgency of the COVID-19 pandemic.

RECOMMENDED ACTION: The NCUA Board approve the attached interim final rule for
publication in the Federal Register with a 30-day comment period.

ATTACHMENT: Interim final rule.