



**TO:** NCUA Board

**DATE:** December 7, 2020

**FROM:** Office of General Counsel  
Office of Examination and Insurance

**SUBJ:** Proposed Rule: Overdraft Policy  
(Part 701)

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

**DATE ACTION REQUESTED:** December 17, 2020.

**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; Gira Bose, Staff Attorney, and Thomas Zells, Staff Attorney, Office of General Counsel.

**SUMMARY:** This proposed rule would modify one of the requirements that a federal credit union (FCU) must adopt as a part of its written overdraft policy. Specifically, the proposed rule would modify 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 proposed rule would remove the 45-day limit and replace 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 FCU to cover each overdraft. Consistent with U.S. generally accepted accounting principles (referred to as GAAP), overdraft balances should generally be charged off when considered uncollectible. This change would 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.

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

**ATTACHMENT:** Proposed rule.