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# Board Action Bulletin

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*Prepared by the Office of Public & Congressional Affairs*

## NCUA BOARD MEETING RESULTS FOR JUNE 22, 2006

### **NCUA insurance protection sign modification proposed**

The NCUA Board issued a proposed revision to the official NCUA insurance protection sign credit unions prominently display to reflect recent share insurance increases and include the statement that NCUA insured share accounts are “backed by the full faith and credit of the U.S. government.”

The proposal acts to modify Part 740 of the regulations in compliance with statutory requirements of the Federal Deposit Insurance Reform Act of 2005 and the Federal Deposit Insurance Reform Conforming Amendments Act of 2005. Comments are due on or before August 11, 2006.

### **Conversion rule proposal issued**

The NCUA Board issued proposed rule Part 708a to improve the information available to members and the board of directors when considering conversion from a credit union to a mutual savings bank.

The proposed revisions affect disclosure, voting, and communications between and among members and the board of directors. Issued with a 60-day comment period, the specific proposed changes include:

- Requiring a converting credit union to give advance notice to members that the board intends to vote on a conversion proposal and establishing procedures for members to share their views with directors before the proposal is adopted.
- Clarifying credit union directors may vote in favor of a conversion proposal only if they have determined and certified that conversion is in the best interest of the members.
- Simplifying the “boxed” disclosures that a credit union must provide members.
- Requiring boxed disclosures only be delivered with 90-, 60- and 30-day member notices.
- Providing the member ballot form and requiring the ballot be sent only with the 30-day notice.
- Requiring the board of directors to set a voting record date not less than 120 days before the board notifies members it is considering adopting a conversion proposal.

- Requiring that after the board approves a mutual savings bank conversion proposal, and upon request of a member, a credit union must disseminate information from that requestor to other members at the requestor's expense.

## **NCUA amends field of membership rule**

The NCUA Board, by 2 to 1 vote, amended the field of membership rule, Section 701.1, and chartering manual, (IRPS) 06-1, to prospectively limit the addition of underserved areas to multiple common-bond credit unions and revise facility requirements for underserved areas.

The final rule permits continued reliable, efficient service for federal credit union members located in already approved underserved areas. Regardless of charter type, credit unions serving underserved areas at the time this proposed amendment was issued in January 2006 are permitted to continue to serve these areas and add new members.

The final rule will require a credit union to establish a service facility in the underserved area within two years of adding it. An acceptable type of service facility within an underserved area includes a credit union owned facility where shares are accepted for members' accounts, loan applications are accepted, and loans are disbursed.

The final rule, effective 30 days after publication in the Federal Register, also provides specifics on practical implementation of the amendments.

## **Suspicious Activity Report modification proposed**

The NCUA Board issued a proposal designed to provide greater detail and clarify filing requirements and other aspects of Suspicious Activity Reports (SARs) to ensure credit unions properly file reports for suspected crimes and suspicious activity.

Issued with a 60-day comment period, the proposed change to Part 748 clarifies the requirements for reporting and filing a SAR, includes a board of director notification requirement, and addresses SAR confidentiality and liability protection. NCUA also proposes changing the regulation title to more accurately describe the rule's scope.

## **Third-party serving of indirect vehicle loan rule modified**

The NCUA Board issued final rule Section 701.21(h) imposing concentration limits on indirect vehicle loans serviced by third-parties to ensure that federally insured credit unions do not undertake undue risk with these purchases.

Effective 30 days after publication in the Federal Register, the new rule limits the aggregate amount of outsourced loans and participation in outsourced loans a credit union may purchase from one servicer to 50 percent of the credit union's net worth. After 30 months experience with a particular servicer, the limit increases to 100 percent of net worth.

The rule exempts federally insured depositories and their wholly-owned subsidiaries from the definition of servicer. The final rule also includes an exemption for certain credit union service organizations with multiple owners and excludes loans where the servicer and its affiliates

were not involved in the origination process from the calculation of the concentration limits. In addition, qualified credit unions may seek a waiver from NCUA to obtain higher concentration levels.

***Board votes are unanimous unless indicated***