NCUA LETTER TO FEDERAL CREDIT UNIONS

NATIONAL CREDIT UNION ADMINISTRATION
1775 Duke Street, Alexandria, VA 22314

DATE: **January 2014** **LETTER NO.: 14-FCU-02**

TO: **All Federal Credit Unions**

SUBJ: **Permissible Interest Rate Ceiling Extended**

Dear Board of Directors and Chief Executive Officer:

This letter highlights the NCUA Board's decision to continue the current 18 percent interest rate ceiling for loans made by federal credit unions.[1] The Board approved the 18 percent rate at its January 23, 2014 open meeting.

Why did NCUA Need to Renew the Interest Rate Ceiling?

The Federal Credit Union Act generally limits federal credit unions to a 15 percent interest rate ceiling on loans. However, the NCUA Board may establish a higher rate for up to 18 months after considering certain statutory criteria.[2]

The current 18 percent rate ceiling expires on March 10, 2014. This month's NCUA Board action extends the 18 percent ceiling for a period of 18 months through September 10, 2015.

What is the Effect on NCUA's Payday Alternative Loan (PAL) Program?

The Board's decision preserves your federal credit union's ability to offer a payday loan alternative under NCUA's PAL program.

NCUA designed the PAL program to allow your federal credit union flexibility in providing alternatives to payday loans. The program allows you to better serve members who need this type of loan. You may still charge those borrowers up to 28 percent on PALs under the terms and conditions specified in NCUA's regulations.[3]

If you have any questions, please do not hesitate to contact your regional office.

Sincerely,

/s/

Debbie Matz
Chairman

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[1] Amendments to Part 701 for the PAL program permit credit unions to charge up to 28 percent for payday alternative loans meeting certain limits on the principal amount, application fee, duration, and frequency.
[2] 12 U.S.C. §1757(5)(A)(vi)(I).
[3] NCUA's PAL rule is available on the NCUA website at the following address:
http://www.ncua.gov/Legal/Documents/Regulations/FIR20100916SmAmt.pdf