

# NCUA LETTER TO FEDERAL CREDIT UNIONS

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

**DATE:** June 2015 **LETTER NO.:** 15-FCU-02  
**TO:** All Federal Credit Unions  
**SUBJ:** Permissible Loan Interest Rate Ceiling Extended

Dear Board of Directors and Chief Executive Officer:

This letter highlights the NCUA Board's decision to continue the current interest rate ceiling for loans made by federal credit unions. At an open meeting on June 18, 2015, the Board approved a ceiling of 18 percent APR for most federal credit union loans (and 28 percent APR for payday alternative loans).

**Federal credit unions will not have to make any changes in loan pricing** as a result of the NCUA Board's decision.

### **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.<sup>1</sup>

The current rate ceiling would have expired on September 10, 2015. This month's NCUA Board action extends the ceiling for a period of 18 months through March 10, 2017.

### **What is the Effect on Payday Alternative Loans?**

The Board's decision preserves each federal credit union's ability to offer payday alternative loans under NCUA's PALs program. You may still charge those borrowers up to 28 percent on PALs under the terms and conditions specified in NCUA's regulation: a principal amount of \$200 to \$1,000, an application fee of no more than \$20, and a term of one to six months. You may make up to three PALs to each member during a six-month period, as long as no PALs overlap and no PALs are rolled over.<sup>2</sup>

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<sup>1</sup> 12 U.S.C. §1757(5)(A)(vi)(I).

<sup>2</sup> The complete PALs regulation is available on the NCUA website at the following address:  
<http://www.ncua.gov/Legal/Documents/Regulations/FIR20100916SmAmt.pdf>

## **What if Market Rates Move Higher or Lower?**

If market rates move significantly in either direction before the extended rate ceiling expires, the Board may revisit the rate ceiling at any appropriate time.

If you believe the rate ceiling is preventing your credit union from granting loans to members, please notify NCUA's Office of Examination & Insurance at [EIMail@NCUA.gov](mailto:EIMail@NCUA.gov) or 703-518-6360.

Sincerely,

/s/

Debbie Matz  
Chairman