



This document is intended to provide a high-level summary of significant changes made in the final rule compared to the January 2015 revised proposed rule on risk-based capital.<sup>1</sup>

Final Rule Component	Explanation of Change
<b>Risk Assets</b>	
<b><i>Principal-Only, Mortgage-Backed Security Strips</i></b>	Assigns principal-only, mortgage-backed security strips a risk weight based on the underlying collateral.
<b><i>0% Risk Weight</i></b>	Revised to include share-secured loans where the shares securing the loan are on deposit at the credit union in the zero percent risk weight.
<b><i>20% Risk Weight</i></b>	Revised to clarify “Part 703 compliant investment funds that are restricted to holding only investments that qualify for a zero or 20 percent risk weight under this section.” Also revised to clarify when the shares or deposit securing a loan are held at another depository institution, the risk weight is 20 percent.
<b><i>100% Risk Weight</i></b>	Revised to include “Non-subordinated tranches of any investment, with the option to use the gross-up approach in paragraph (c)(3)(iii)(A) of this section.”
<b>Alternative Risk Weights for Certain On-Balance Sheet Assets</b>	
<b><i>Non-Significant Equity Exposure</i></b>	Applied a risk weight of 100 percent for non-consolidated investments in credit union service organizations, perpetual contributed capital at corporate credit unions, and other higher risk equity investments when the total of equity exposures is less than 10 percent of the sum of the credit union’s capital elements of the risk-based capital ratio numerator. NCUA estimates 95 percent of credit unions with such investments will receive the lower risk weight.
<b><i>Charitable Donation Accounts</i></b>	Added a section allowing credit unions to assign a lower risk weight to charitable donation accounts, as follows: “Notwithstanding the risk weights assigned in paragraph (c)(2) of this section, a credit union may assign a 100 percent risk weight to charitable donation accounts.”

<sup>1</sup> This summary is not comprehensive in scope. The text of the final rule includes more comprehensive details.



<b><i>Gross-Up Approach</i></b>	Added a description of the gross-up approach as Appendix A. A credit union may use the gross-up approach under this part to determine the risk weight of the carrying value of any subordinated tranche or non-subordinated tranche of any investment.
<b><i>Look-Through Approaches</i></b>	Added a description of the look-through approaches as Appendix A. A credit union may use one of the look-through approaches under Appendix A of this part to determine the risk weight of the exposure amount of any investment funds, the holdings of separate account insurance, or both.

<b>Definitions</b>	
<b><i>Appropriate State Official</i></b>	Clarified that the appropriate state official is the authority that chartered the credit union.
<b><i>Carrying Value</i></b>	Clarified that the carrying value can apply to assets and liabilities.
<b><i>Charitable Donation Account</i></b>	Definition added: “ <i>Charitable donation account</i> means an account that satisfies all of the conditions in §§721.3(b)(2)(i), (b)(2)(ii), and (b)(2)(v) of this chapter.”
<b><i>Commitment</i></b>	Added “enter into borrowing agreement” to the description of legally binding arrangements.
<b><i>Commercial Loan</i></b>	Removed “to individual, sole proprietorships, partnerships, corporations, or other business enterprises” from the definition.
<b><i>Consumer Loan</i></b>	Removed “to one or more individuals” from the definition. Added that vehicle loans must be wholly or substantially secured, and added “one or more vehicles to be part of a fleet of vehicles” to the definition.
<b><i>Exchange</i></b>	Revised the definition to clarify an exchange is a central clearing market where users can enter into derivative transactions.
<b><i>Excluded Goodwill and Excluded Other Intangible Assets</i></b>	Clarified that “excluded goodwill” and “excluded other intangible assets” applies to mergers or combinations completed on or before 60 days after publication of the final rule in the <i>Federal Register</i> .
<b><i>Mortgage Partnership Finance Program</i></b>	Removed “and serving them” from the definition so servicing of the loans is not construed as a requirement to meet the definition.
<b><i>Subordinated</i></b>	Revised to clarify that an investment that is not a junior claim on the underlying collateral or assets is non-subordinated.
<b><i>Part 703 Compliant Investment Fund</i></b>	Added “ <i>Part 703 compliant investment fund</i> means an investment that meets the requirements under §703.14(c) of this chapter.”
<b><i>U.S. Government Agency</i></b>	Clarified that NCUA is a U.S. Government Agency to ensure NCUA Guaranteed Notes receive a zero risk weight.