National Credit Union Administration (NCUA)

Analysis of Examination Time Survey (ETS) Modifications

October 2, 2013

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National Credit Union Administration (NCUA)
Attn: Brian McDonough, Loss Risk Analysis Officer
1775 Duke Street
Alexandria, VA 22314

Subject: National Credit Union Administration (NCUA) | Analysis of Examination Time Survey (ETS) Modifications

Dear Mr. McDonough,

PricewaterhouseCoopers LLP (PwC) is pleased to submit to the National Credit Union Administration (NCUA) the results of our study that provides an independent analysis of proposed changes to the NCUA's Examination Time Survey (ETS).

Our services were performed and this report was developed in accordance with Order Number 350000622 and Requisition/Reference Number 300001900, dated June 4, 2013 and are subject to the terms and conditions included therein.

Our services were performed in accordance with the Standards for Consulting Services established by the American Institute of Certified Public Accountants (AICPA). Accordingly, we are providing no opinion, attestation or other form of assurance with respect to our work and we did not verify or audit any information provided to us.

Our work was limited to the specific procedures and analysis described herein and was based only on the information made available through August 23, 2013. Accordingly, changes in circumstances after this date could affect the findings outlined in the report.

This information has been prepared solely for the use and benefit of, and pursuant to a client relationship exclusively with the National Credit Union Administration and the US Government. PwC disclaims any contractual or other responsibility to others based on its use and, accordingly, this information may not be relied upon anyone other than the National Credit Union Administration and the US Government.

PricewaterhouseCoopers LLP

October 2, 2013
McLean, VA

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1.0 Introduction

1.1 Purpose of Analysis

PricewaterhouseCoopers (PwC) has been engaged by the National Credit Union Administration (NCUA) to provide an independent analysis of proposed modifications to the activity categories for which examiner time is applied in the Examination Time Survey (ETS). The ETS is the primary mechanism used for estimating the time that examiners in the field spend on insurance and regulatory related activities. The ETS portion of examiner workload time associated with insurance related activities is an important determinant in calculating the overhead transfer rate (OTR) and the proportion of the OTR dollar amount paid by Federal Credit Unions (FCUs) and Federally Insured State Credit Unions (FISCUs).

The NCUA recently analyzed its examiner resource workload and undertook a comprehensive analysis of the rules and regulations guiding credit union examinations. This resulted in proposed changes to the ETS categories to better reflect the work that examiners perform in the field. A significant outcome of this initiative is an NCUA Rules and Regulations Reclassification matrix by which examination related rules and regulations are assigned to proposed refined categories to more accurately and consistently allocate time to activities that are specifically driven by NCUA rules and regulations.

1.2 Scope of Analysis

The scope of this report is focused solely on the analysis of the proposed refinements to the ETS activity categories and their alignment with NCUA rules and regulations. It does not constitute an audit or evaluation of the administration and execution of ETS, the overhead transfer rate (OTR) methodology or resulting OTR calculation.

PwC's services for this study were performed in accordance with the Statement on Standards for Consulting Services established by the American Institute of Certified Public Accountants (AICPA). The procedures performed did not constitute an audit or a review in accordance with generally accepted auditing or attestation standards. Accordingly, we provide no opinion, attestation, or other form of assurance with respect to our work or the information upon which our work was based. We did not audit or otherwise verify the information supplied to us in connection with this engagement, from whatever source.

1.3 Summary of Approach, Conclusions and Recommendations

Our analysis of NCUA's modifications to ETS entailed three primary tasks:

- Evaluation of the documentation supporting the concepts, definitions and assumptions of the proposed refined ETS activity categories.
- Discussion of refined ETS categories and definitions, and review of the process of assigning time to the new categories with a selected group of NCUA examiners.
- Assessment of the NCUA Rules and Regulations Reclassification matrix which maps applicable examination related rules and regulations to either insurance regulatory related or non-insurance and consumer regulatory related time categories.

A summary of the analysis and conclusions is as follows:

- The NCUA rules and regulations matrix aligns consistently with the insurance and regulatory activities and provides a documented basis supporting the allocation of examiner time between insurance and regulatory activities.
- Discussions with examiners suggested an understanding of the refined categories and definitions.
- Our initial analysis of the reclassification matrix and mapping of activities to the new categories and updated definitions identified that certain examination related rules and regulations were missing from the rules and regulations matrix. However, these were immediately updated by NCUA to completely map all activities to the three categories.

An analysis with accompanying observations and recommendations is provided below:

1.3.1 Evaluation of Refined Categories and Definitions

The analysis of the new categories and definitions included an analysis of new and prior categories and definitions. We also analyzed documentation related to the ETS modifications including the explanation of changes to the categories and definitions, the examiner training material and field guidance.

The concept and proposed modifications to the ETS categories is well documented. The definitions, training and guidance provided to examiners in the field explaining the concepts are very comprehensive.

There was one observation noted with regards to the review of the new ETS categories and definitions. The NCUA Rules and Reclassification matrix maps the rules and regulations to two categories – insurance regulatory related and non-insurance and consumer regulatory (refer to **Figure 3**); yet, the categories on the actual ETS tool captures time across three categories – insurance related, insurance regulatory related, and consumer and regulatory related (refer to **Figure 1**). Since the NCUA Rules and Reclassification matrix serves as the basis for the refinement, consistency of category names between the matrix and ETS tool would improve the clarity of the documentation which serve as the basis of the new categories and definitions.

Therefore, we propose the following recommendation to further strengthen the clarity of the refined categories between key documents:

- **Recommendation 1:** PwC recommends using consistent category names between the NCUA Rules and Regulations Reclassification matrix and the actual ETS survey to minimize confusion and increase accuracy and consistency of the documentation and ultimately the ETS.

1.3.2 Examiner Understanding and Consistent Application of Time to Refined ETS Categories and Definitions

The discussion with a small group of examiners focused on their understanding of the refined categories, as well as examiner experience to date with applying time to the proposed categories during a field examination.

The interview session indicated examiners understood the refined categories and definitions. Examiner comments also suggested that applying time across the refined categories aligns with the tasks completed by the examiners.

There was, however, one comment that implied that some examiners experience difficulty assigning certain types of activities and related time to the "insurance related" category. The comment suggested that this category could be treated as a "catch-all" category for examiner

time in the field. The examiner specifically referenced difficulty with correctly categorizing activities such as CEO meetings. Discussions with NCUA regarding the examiner feedback suggests that this is not a problem with the definition more so than a lack of understanding the sequence or logic of applying time to the refined categories. Meeting time, for instance, would be applied to one of the three categories based on the primary purpose or focus of the examination. Thus, an understanding of the nature of the examination would guide examiners in correctly and consistently applying time to categories.

The following recommendation is proposed to address clarity and consistency of applying time to meetings and similar types of general activities:

- **Recommendation 2:** We recommend that the training material for the examiners be revised to place emphasis on the sequence and logic of applying examiner time to the refined categories and specifically clarify how examiners should apply meeting time and similar general activities during an examination. A decision tree such as the sample developed in **Figure 5** could assist examiners with more accurately and consistently applying time to the refined categories. These enhanced instructions should be added to the examiner training and field guidance. An additional measure to underscore the importance of accurately and consistently applying time to the ETS is to add a discussion of ETS during the Planning/ Scope Development step of the 12 step examiner procedure (refer to **Figure 1**).

1.3.3 Assessment of NCUA Rules and Regulations Reclassification Matrix

PwC analyzed the inventory of NCUA rules and regulations, including those NCUA rules and regulations categorized as examination related. We also examined the assignment of the examination related rules and regulations to the refined categories.

A summary of the inventory reveals that of the roughly 637 NCUA active rules and regulations (excluding headers, definitions, sample forms and calculations), some 252 were considered by NCUA as examination related (refer to Appendix 1). Of the 252 examination related rules and regulations, approximately 161 or 64% are insurance regulatory related and the remaining 91 or 36% are categorized as non-insurance and consumer regulatory related.

There was one observation regarding the rules and regulations matrix. During our examination of the NCUA rules and regulations classifications matrix, PwC discovered two parts of the NCUA rules and regulations that were not assigned to refined categories or delineated as non-examination related. The parts that were not assigned or delineated as non-examination related were Parts 713–Fidelity Bond and Insurance Coverage for Federal Credit Unions and 740–Accuracy of Advertising and Notice of Insured Status.

Accordingly, PwC proposes the following recommendation regarding the rules and regulations reclassification matrix:

- **Recommendation 3:** Update the matrix to reflect the inclusion of the additional parts discovered during the ETS modifications review to ensure that the all NCUA examination related rules and regulations are assigned to refined categories.

It should be noted that NCUA immediately acknowledged the oversight of including these two parts in the reclassification matrix and updated the matrix contemporaneously during the course of the engagement. Parts 713 and 740 are now included in the revised version of the reclassification matrix as "insurance regulatory" related.

2.0 Background

2.1 Overview of NCUA

The NCUA is an independent federal agency that charters and supervises credit unions throughout the United States and its territories. In accordance with the Federal Credit Union Act, established in 1934 by Congress, the NCUA's mission is to serve, protect and promote a safe, stable national system of cooperative financial institutions that encourage thrift and offer a source of credit for their members. The NCUA also administers the National Credit Union Share Insurance Fund (NCUSIF) created in 1970 under Section 1783 of the Federal Credit Union Act as an insurance fund to provide insurance protection to all the account holders in federally insured credit unions.

Consequently, NCUA performs a dual role as both a regulator and insurer. It is the charterer and primary regulator of federal credits unions (FCUs) and has broad safety-and-soundness regulatory authority for all credit unions for which NCUA insures the asset deposits or credit shares through the NCUSIF including the Federally Insured State Credit Unions (FISCUs).

In 1972, the General Accounting Office (GAO) identified the need to allocate costs between these two roles. Section 1783 of the Federal Credit Union Act states:

> "1783(a) There is hereby created in the Treasury of the United States a National Credit Union Share Insurance Fund which shall be used by the Board as a revolving fund for carrying out the purposes of this title. Money in the fund shall be available upon requisition by the Board, without fiscal year limitation, for making payments of insurance under section 207 of this title, for providing assistance and making expenditures under section 208 of this title in connection with the liquidation or threatened liquidation of insured credit unions, and for such administrative and other expenses incurred in carrying out the purposes of this title as it may determine to be proper." – Title II

Consequently, the Federal Credit Union Act authorizes NCUA to expend funds from NCUSIF for administrative and other expenses related to the insurance activities and to recoup those expenditures back to NCUA's operating fund, the National Credit Union Administration Operating Fund (NCUAOF).

2.2 Description of Examination Time Survey Modifications

The mechanism for transferring insurance related costs from the insurance fund (NCUSIF) to the operating fund (NCUAOF) is the overhead transfer rate (OTR). The OTR is a cost allocation formula that estimates the direct and indirect costs associated with the insurance function and converts that to a dollar amount and transfers that amount between the funds annually. The OTR is one of two sources of funding for NCUA's operating budget. The other funding source is the operating fees collected from federally chartered credit unions which are based on asset size.

A significant portion of the OTR is comprised of the direct cost associated with the examiners that perform field examinations of credit unions. The time associated with insurance related activities is estimated by applying time in the Examination Time Survey (ETS). Thus, the activities and categories to which time is applied is a key determinant of the OTR which calculates the rate and amount to be transferred to the National Credit Union Administration Operating Fund (NCUAOF) from the NCUSIF.

The NCUA recently analyzed its examiner resource workload and undertook an analysis of the rules and regulations guiding credit union examinations. NCUA is evaluating a change in the categories of the ETS as part of an effort to refine the insurance related activities to better reflect the work that examiners perform in the field.

Previously, examiner's activities were classified into two categories – "insurance-related" (related to NCUA's role as an insurer of federally insured credit unions) and "regulatory-related" (related to NCUA's role as a regulator and charterer of credit unions).

The proposed refined categories result in three categories: Insurance related activities would be separated into two categories: (1) Insurance Related Examination and (2) Insurance Regulatory Related Examination. Regulatory related activities would now be referred to as (3) Consumer Regulatory Related Examination.

2.3 Description of Mapping of Rules and Regulations to Refined Activities

As part of this ETS category refinement process, the NCUA conducted a comprehensive analysis that maps examination related rules and regulations to the refined categories. The NCUA Rules and Regulations Reclassification matrix assigns rules and regulations that have been determined to be examination related to either insurance regulatory related or non-insurance and consumer regulatory related time categories.

The resulting matrix reveals that approximately 252 of the total estimated 637 active NCUA rules and regulations (excluding reserved, appendices, sample forms and calculations) are considered examination related. Of the 252 rules and regulations that are examination related, approximately 161 or 64% are categorized as insurance regulatory related and approximately 91 or 36% are non-insurance and consumer regulatory related.

The assignment of examiner activities in the field with discrete rules and regulations mapped to the refined activities is a large departure from the previous more general time categories. In fact, this assignment is the reason some categories that were previously considered regulatory in nature have now been re-categorized as insurance related. Consequently, the activities within the insurance related category have increased while the activities within the regulatory related category have decreased.

3.0 Methodology of ETS Modifications Study Analysis

3.1 Description of Approach and Methodology

Our evaluation of the proposed refinement of activity categories in the NCUA Examination Time Survey (ETS) primarily focused on the resulting categories and definitions as compared to changes from the previous categories and definitions. PwC also conducted interviews with a group of examiners to determine if the refined categories, definitions and application of time to the revised categories were clear and consistently applied during field credit union examinations. Additionally, PwC analyzed the NCUA's Rules and Regulations matrix for completeness, comprehensiveness and to assess the accuracy NCUA's mapping of rules and regulations to the refined categories. Finally, we summarized our observations and developed recommendations to further improve the clarity and consistency of the ETS with regards to examiner time application to the proposed refined activity categories. A summary of our methodology is included below:

- Evaluation of the documentation supporting the concepts, definitions and assumptions of the refined ETS activity categories.

  - This step included a review of documentation including background documents that determined the logic and scope of the ETS modifications and the basis for NCUA's rules and regulations reclassification matrix.

- Discussion of refined ETS categories and definitions and review of the process of assigning time to the new categories with a small group of NCUA examiners.
  - This step included an assessment of the training material and field guidance through interviews of NCUA Examiners. The examiner discussion was based on a structured set of questions designed to ascertain whether the activity category refinement, definitions and application of time to the refined activity categories were clear and consistent.
- Assessment of the NCUA Rules and Regulations reclassification matrix which maps applicable examination related rules and regulations to either insurance regulatory related or non-insurance and consumer regulatory related time categories.
  - This step included an analysis of the inventory of active NCUA rules and regulations (not including reserved parts, appendices and examples such as calculations) in order to assess the comprehensiveness of the mapping effort and to accurately document which rules and regulations are considered examination related and proper assignment to the refined activities.
- Development of observations and recommendations to identify potential improvements or modifications of the proposed ETS refined categories and/or definitions.
  - The observations and recommendations are limited to the scope of this study and include only an analysis of the refined ETS activity categories, the related definitions and the rules and regulations that constituted the basis for the reclassification of activities.

4.0 Analysis of Proposed ETS Modifications

4.1 Analysis of Refined ETS Categories and Definitions

The Examination Time Survey (ETS) is a survey tool employed by the National Credit Union Administration (NCUA) to field examiners who conduct examinations of credit unions. A select set of examinations participate in ETS annually. The ETS is based on examiner activities conducted in the field that are designed around a standard 12-step examination process as follows:

1. Planning/Scope Development
2. Call Report Review
3. Supervisory Committee Review
4. Financial Analysis
5. Loan Analysis
6. Investment Analysis
7. Liquidity Analysis
8. Asset Liability Management
9. Compliance
10. Information Systems Technology
11. Management
12. Examination Report/ Joint Conference (JC)/ Follow-Up

These procedures comprise the core of annual risk-based credit union inspections, or what NCUA refers to as a "Code 10 Federal Examination." Federal supervisory examinations, referred to as "Code 22," are not full annual inspections but are more focused compliance based inspections or general supervision inspections; therefore, these may not include all 12 steps of the examination procedures.

To appropriately capture and allocate time that is related to NCUA's dual mission as a regulator and an insurer of Federally insured credit unions, examiners must allocate activities performed during a field examination to appropriate insurance or regulatory related categories.

NCUA is proposing the refinement of the ETS time categories to more accurately reflect examiner workload in the field. Previously, NCUA used two categories for which examiners allocated time associated with performing their 12-step procedures in the field – "insurance related" or "regulatory related."

The refined activity categories separate insurance related examination activity categories into two parts and also refine the regulatory activity category. The ETS activity category refinement results in three categories with which to allocate examiner time, as follows:

1. Insurance Related
2. Insurance Regulatory Related
3. Consumer Regulatory Related

An illustration from the ETS time application tool shows the 12-step procedures and the three categories for which time can be allocated across the 12 steps in **Figure 1** below:

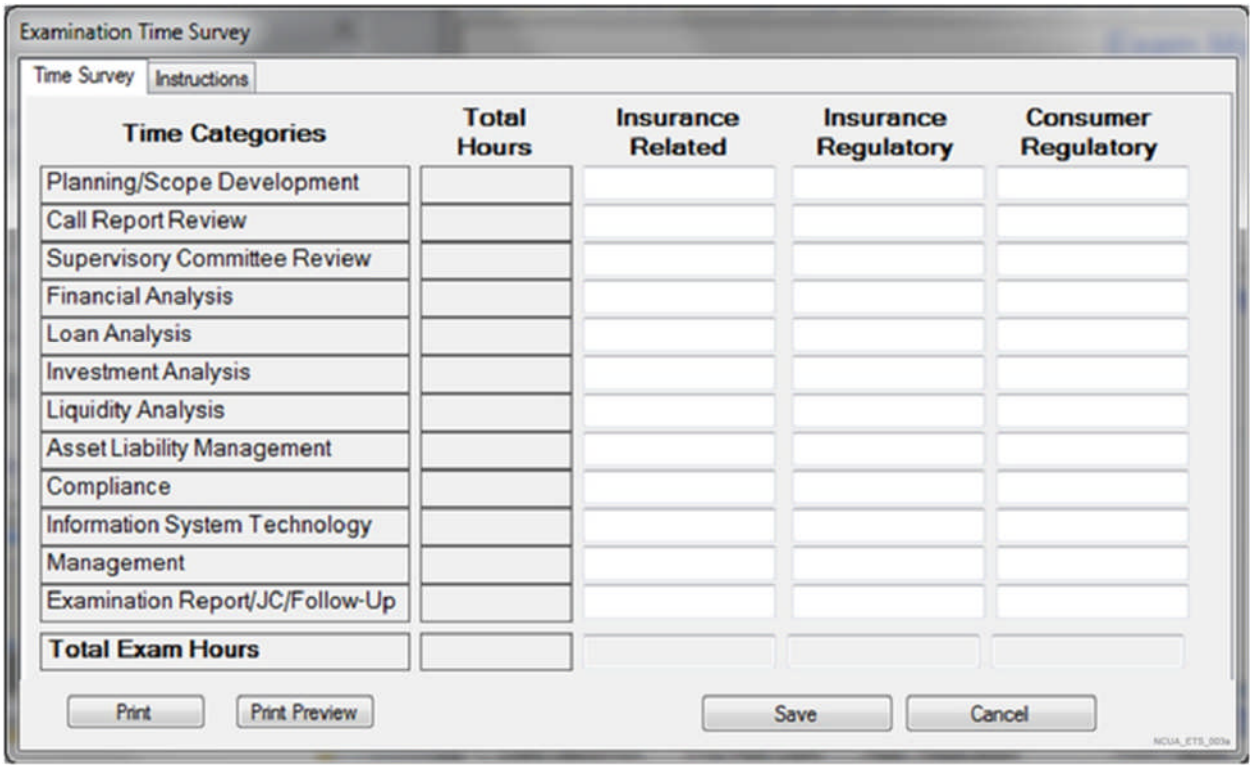

Figure 1. ETS 12-step procedures and three categories for examiner time assignment

The refinement of these categories and their definitions is the primary focus of the ETS modifications and thus the focus of this study. The following sections describe the refined categories and related definitions.

4.1.1 Prior ETS Category Definitions

A previous report in January of 2011 provided an analysis of NCUA's OTR including the ETS categories and definitions utilized at the time as follows:

Insurance-related functions mostly involve activities related to analyzing safety and soundness of the insured assets of federally insured credit unions. All other "insurance-related" activities involve evaluating exposure to losses among these credit unions. The "insurance-related" functions are thus viewed by NCUA as including the following:

- Evaluating financial trends and Call Report data;
- Determining the credit union's solvency position;
- Evaluating risks and potential costs, the credit union presents to NCUSIF (as and when applicable);
- Assessing management's efforts to protect earnings and net worth by identifying, evaluating, controlling, and monitoring internal and external risks; and
- Assessing management's abilities to develop strong policies and a reliable internal control structure.

Non-insurance or regulatory activities, specifically as they relate to examination or supervision contacts (field examinations) with FCUs and focuses on issues of compliance with the laws and regulations that NCUA enforces. Time incurred by NCUA on regulatory activities is associated with its efforts to review, report, or document areas that include, but are not limited to, the following:

- Compliance with consumer protection laws, NCUA rules and regulations, the Federal Credit Union Act and bylaws;
- Review of previously cited regulatory violations, areas of concern, and corrective actions taken; and
- Call report accuracy and timeliness.

4.1.2 New ETS Definitions under Refined/ Reclassified Categories

The 2013-14 Training Packet and Guidance includes proposed ETS activity category refinements with the following definitions:

Insurance related examination or supervision contact procedures address safety and soundness issues. On the time survey forms, respondents should classify the time used to evaluate safety and soundness as "insurance related." Insurance related time includes:

- Evaluating financial trends and Call Report data;
- Determining the credit union's solvency position;
- Evaluating risks, and potential costs, the credit union poses to the NCUSIF (when appropriate);
- Assessing management's efforts to protect earnings and net worth by identifying, evaluating, controlling, and monitoring internal and external risks;
- Assessing management's abilities to develop strong policies and a reliable internal control structure.

Insurance Regulatory related examination or supervision procedures address regulations that are not designed to protect consumers directly. This includes assessing compliance with all regulations outside of consumer oriented regulations (see listing of consumer regulations in the following section, consumer regulatory examination procedures).

Insurance regulatory related regulations include those regulations that address safety and soundness issues. Examples include:

- 701.21 – Loans to Members and Lines of Credit to Members; Includes allowable loan limit to one individual, maturity, rate of interest, and security;
- 702 – Prompt Corrective Action; Establishes net worth categories and mandatory and discretionary supervisory actions;
- 703 – Investments and Deposit Activities; Establishes permissible investments, requires credit analysis prior to purchase and requires on-going monitoring of securities:
- 712 – Credit Union Service Organizations; Establishes investment and loan limits as well as outlines permissible activities;
- 713 – Fidelity Bond Insurance Coverage; Requires minimum bond coverage;
- 715 – Supervisory Committee Audits and Verifications;
- 722 – Appraisals; Establishes minimum appraisal standard based loan size;
- 723 – Member Business Loans; Establishes prohibited activities, requires specific policies and sets overall loan limits as well as limits to one member or a group of associated members.

Consumer Regulatory related examination or supervision contact procedures address compliance with consumer regulations. Examples include:

- Reg. B – Equal Credit Opportunity Act;
- BSA – Bank Secrecy Act;
- Reg. C – Home Mortgage Disclosure Act;
- Reg. CC – Expedited Funds Availability;
- COPPA – Children's Online Privacy Protection Act;
- Reg. D – Reserve Requirements;
- Reg. E – Electronic Funds Transfer Act;
- FACTA – Fair and Accurate Credit Transactions Act;
- FCPR – Fair Credit Reporting Act;
- FDCPA – Fair Debt Collections Practices Act;
- FDPA – Flood Disaster Protection Act;
- FHA – Fair Housing Act;
- GLBA – Gramm Leach Bliley Act;
- HOPEA – Home Ownership and Equity Protection Act.
- HOPA – Home Owner's Protection Act;
- Reg. M – Consumer Leasing;
- OFAC – Office of Foreign Asset Control;
- PCFI – Privacy of Consumer Financial Information;
- RFPA – Right to Financial Privacy Act;
- SCRA – Service Members Civil Relief Act;
- Reg. X – Real Estate Settlement Procedures Act
- Reg. – Z Truth in Lending;
- Rules and Regulations Part 706 – Credit Practices;
- Rules and Regulations Part 707 – Truth in Savings;
- Rules and Regulations Part 717 – Fair Credit Reporting.

4.1.3 Major Differences Between New and Previous ETS Categories and Definitions

The refined activities split out insurance related activities into two groups – insurance related and insurance regulatory related – and define regulatory activities as those that are primarily consumer or member related. The refined ETS activities can be summarized as follows:

1. Consumer regulatory related activities are now isolated into a separate category (Consumer Regulatory) and mapped specifically to coded rules and regulations. Previously, these types of activities were included in the prior "Regulatory" activities category which focused on general compliance with laws and regulations that NCUA enforces.
2. Insurance-related activities are now separated into two categories, a category focusing on specific coded regulations and a category focusing on more general basic safety and soundness measures that are not specifically code driven:
   - Insurance Regulatory activities are insurance activities that are specifically driven by an NCUA rule or regulation. These are safety and soundness related activities that are specifically tied to an NCUA rule or regulation such as part § 701.21 which govern loans and lines of credit to members. Activities comprising this new group were transferred from both of the prior categories discussed in section 4.1.1 (Insurance and Non-Insurance or Regulatory) and much of the basis is determined from the NCUA Rules and Regulations Reclassification matrix.
   - Insurance Related activities are safety and soundness related; however, are not directly tied to an NCUA rule or regulation. This third category includes activities previously categorized under the previous "insurance related functions" discussed in section 4.1.1 (Prior Definitions) including evaluating financial trends and determining the credit union's solvency position. According to NCUA management, this category could be referred to as basic safety and soundness issues that are not necessarily enumerated (or have a specific NCUA rule or regulation code).

An illustration of the changes in the activity categories and definitions is depicted in **Figure 2**:

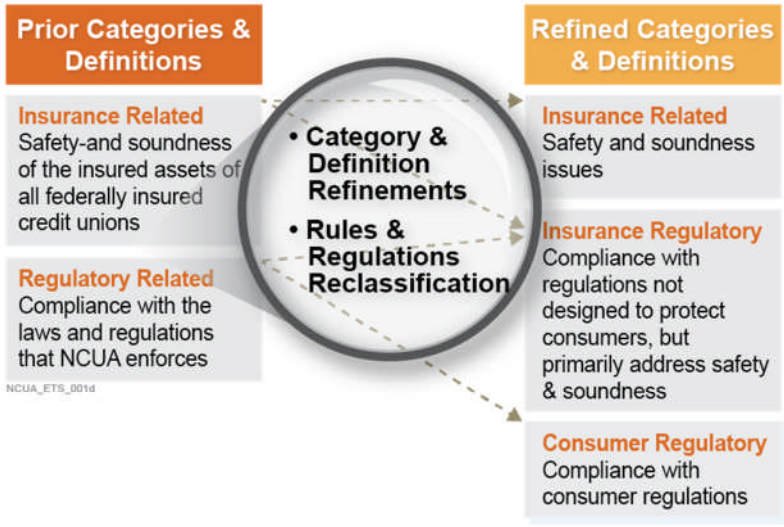

Figure 2. Illustration of Refined ETS activity categories and definition modifications

As the illustration above depicts portions of the previous broader "insurance related" ETS activity category has either been mapped to specific NCUA codes and regulations in the refined "insurance regulatory related" category or assigned to the broader refined "insurance related" category. Similarly, portions of the previous "regulatory related" ETS activity category have been mapped directly to consumer and membership related rules and regulations, or assigned to the "insurance regulatory related" category.

4.2 Analysis of Mapping of Examination Related Rules and Regulations to Refined Categories

NCUA performed a comprehensive analysis of its rules and regulations which served as the basis for the refined categories and definitions. The NCUA Rules and Regulations Reclassification matrix maps all examination related rules and regulations directly to either insurance regulatory related or non-insurance and consumer regulatory related time categories.

An example of the NCUA rules and regulations classification mapping is illustrated below. The inventory of NCUA rules and regulations is Appendix 1 and the examination related rules and regulations that were mapped as part of the reclassification analysis is provided in Appendix 2.

NCUA Regulation	Part	Insurance Regulatory Related	Non- Insurance & Consumer Regulatory Related	Description
§Part 701 – Organization and Operations of FCUs	.1 – Federal credit union chartering, field of membership modifications, and conversions.		X	This part addresses the location of NCUA's chartering and field of membership policies.
	.2 – Federal Credit Union Bylaws		X	Requires FCU's to operate in accordance with their approved bylaws.
	.3 – Member inspection of credit union books, records, and minutes.		X	This part grants a group of members the right to inspect the books and records of an FCU.

Figure 3. Example of NCUA Rules and Regulation Classification Matrix mapped to two of the refined activities

The results of our evaluation over NCUA's Examination Rules and Regulations mapping are as follows:

- Approximately 252 of the total estimated 637 active NCUA rules and regulations (excluding reserved, appendices, sample forms and calculations) were considered examination related.
- Each of these 252 NCUA examination related rules and regulations were mapped directly to insurance or non-insurance related categories (reference Appendix 1).
- Of the 252 rules and regulations that are examination related, approximately 161 or 64 % are categorized as insurance regulatory related and approximately 91 or 36% are non-insurance and consumer regulatory related.

This reclassification exercise constitutes a major foundation for the proposed refined activities and categories. The mapping of rules and regulations directly to the time category is also a significant departure from past time application practices.

4.2.1 Impact of Rules and Regulations Reclassification on OTR

The mapping of the rules and regulations directly to insurance related regulatory or non-insurance related regulatory effectively reclassified some prior activities that were considered

regulatory to the insurance regulatory category thereby increasing the number and proportional costs of insurance related activities.

According to discussions with NCUA, the previous two categories – insurance related or regulatory related – did not accurately reflect examination workload. The reclassification exercise resulted in reclassifying many of the previous regulatory or general compliance activities to either insurance or insurance regulatory related activities which are safety and soundness related. All of the insurance regulatory activities are safety and soundness related and corresponds to specific NCUA rules and regulations as shown in the reclassification matrix. The insurance related activities are also safety and soundness related; however, they are broader in nature and do not have a specific NCUA rule or regulation underpinning them – they are basic safety and soundness activities.

The overall impact of the proposed refinement in ETS activity categories is an increase of insurance activities (insurance related and insurance regulatory related categories) and a decrease of regulatory activities (the consumer regulatory category). This increase of insurance related activities will result in an increase of the overall OTR.

4.3 Discussion with Examiners and Review of Training and Guidance Material

The examiner discussion was conducted with approximately 6 examiners from various NCUA geographies. The intent of the discussion was to analyze the Examiners understanding of the clarity of the refined categories and definitions and to assess whether application of time across the refined categories was understood and being consistently applied.

A summary of the examiner interviews and feedback is as follows:

- Examiner responses to questions pertaining to clarity of the refined activities and definitions suggest they understand the refined categories and definitions.
- Examiners responses to consistency of application of time across credit unions during field examinations suggest that there was general consistency; however, there was one response which suggested some confusion applying general examination and inspection related activities, such as meetings with the CEO. An observation and recommendation is provided in relation to this examiner feedback.
- Examiner responses to questions related to the overall improvement of classification of time under the new categories suggest they perceived the refined categories as more indicative of their workload, with several stating that most of their activities are safety and soundness related.

Examiners are provided with training and detailed guidance which provides the new definitions (refer to section 4.1.2 of this study) and instructions with examples on the logical progression through the 12-step examination procedures (refer to **Figure 1**). For each of the 12-steps of the examination process (i.e., planning and scope development) an explanation of the types of activities within the step as well as the category for applying time is provided. An example of the training guidance provided is illustrated in **Figure 4** below:

K. Management Analysis
1. Time related to Insurance Issues includes the time required for tasks such as:
• Reviewing, planning general business practices for overall soundness • Reviewing income/expense budget process and controls; and • Assessing management's capabilities in implementing strategies to address risk

K. Management Analysis
2.Time related to Insurance Regulatory Issues includes the time for tasks related to compliance with the following
• Reviewing compliance with Federal Credit Union bylaws; • Reviewing board minutes to ensure meetings take place in accordance with the Federal Credit Union Act and bylaws; and • Ensuring all written policies are consistent with applicable Insurance Regulatory laws and regulations
3. Time related to Consumer Regulatory Issues includes the time for tasks such as:
• Ensuring that all consumer and mortgage written policies are consistent with applicable laws and regulations • Review of compliance with implementing corrective action related to regulatory violations associated with consumer and mortgage loans • Ensuring all written policies are consistent with applicable Insurance Regulatory laws and regulations

Figure 4. Illustration of Examiner Training Material and Guidance

4.4 Observations, Conclusions and Recommendations

The NCUA rules and regulations matrix aligns consistently with the insurance and regulatory activities and provides a documented basis supporting the allocation of examiner time between insurance and regulatory activities. The resulting reclassification matrix and mapping of activities to the refined categories is comprehensive and complete for the parts of the NCUA rules and regulations deemed examination related. There was, however, a few examination related parts of the rules and regulations excluded from the initial matrix and these were immediately addressed by NCUA. Finally, the interviews and discussions with a small group of examiners and NCUA officials suggested an understanding of the refined categories and definitions among examiners in the field.

The analysis of the ETS refined activity categories resulted in several observations and recommendations that primarily address increasing the clarity of one of the category definitions for “Regulatory Related” and increasing the consistency of the names of the categories between the rules and regulations reclassification matrix and the actual ETS time application tool.

Observation 1

NCUA performed a comprehensive mapping of examination related rules and regulations to insurance regulatory related or non-insurance and consumer regulatory related categories. However, the categories used in the specific ETS time application tool consist of three categories with slightly different names – insurance related, insurance regulatory related, and consumer and regulatory related (refer to **Figure 1**).

This inconsistency between the NCUA Rules and Regulations Reclassification matrix categories and the actual ETS categories could result in potential misunderstanding or inconsistent application of time to the refined categories.

Recommendation 1

The category names between the rules and regulation classifications matrix should be consistent with the ETS. The rules and regulations matrix is a major foundation for the proposed refinement of categories and definitions and will result in an increase in the OTR. Thus, a clear linkage between the reclassification matrix and the ETS tool using consistent category names would eliminate any misinterpretation and decrease potential inconsistency of examiner time application to the refined activities and establish consistent documentation of the refined categories.

Observation 2

During the examination interviews, there were comments regarding the insurance related category that suggested examiners experience difficulty assigning time to this category and implied that it could be treated as a "catch-all" category for examiner time assignment in the field. The specific example used was that CEO and similar meetings were assigned to the insurance related category sometimes by default.

Further discussions with NCUA on this resulted in determining that the issue is one of logic or sequence of approaching the categories rather than definition of the category. For instance, an activity such as a meeting, which is the example that was mentioned during the examiner discussion, the application of time would largely be determined by the type and purpose of the examination. Therefore, there is a need to enhance the training material to assure that examiners clearly understand that the process and sequence of applying time to the refined categories is important to correctly and consistently capture time in the appropriate category.

The modified definitions could better be explained in the context of a logical progression or decision tree as illustrated in the sample decision tree below:

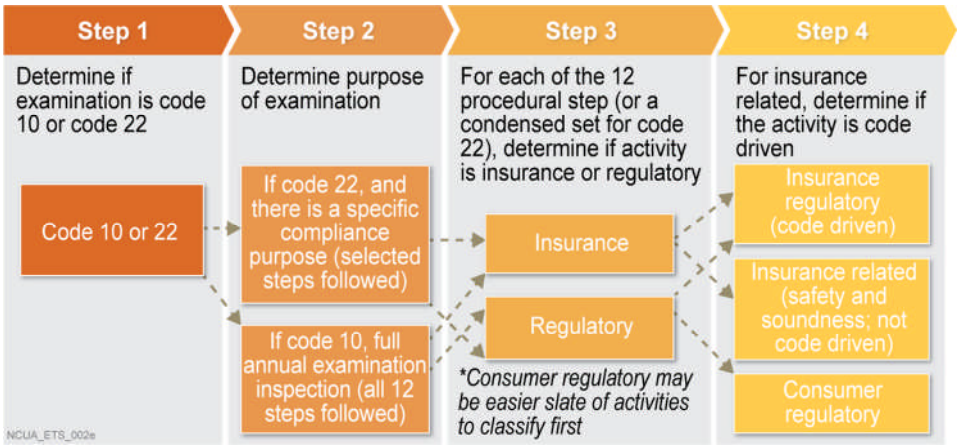

Figure 5. Sample Decision Tree Portraying the Sequence and Logic of Using the Refined Categories

As the illustration suggest, step 1 determines much of the type and purpose of the examination and would guide application of time for meetings and similar general activities into appropriate time categories. An additional measure would be to add ETS as a topic in the Planning and Scope Development part of the 12-step examiner procedure for those examinations chosen to participate in ETS. During this step the primary scope of the examination is determined. Assignments and estimated time for each examination section are also provided to the examiners during this step. Specific mention of application of time to ETS for those selected examinations would further underscore the importance of accurate and consistent ETS time application by examiners.

Recommendation 2

The training material for the examiners should be revised to place emphasis on the sequence and logic of applying time to the refined categories, especially for activities such as meeting time and other similar activities. A decision tree, such as the sample developed in Figure 5, could assist examiners in applying time to the refined categories. This should be added to the examiner

training and field guidance to assure the next survey participants understand how to consistently apply the application of time to the categories. Additionally, adding a discussion of ETS during the Planning and Scope Development part of the 12-step examination procedure would be an additional measure to underscore the importance of accurately and consistently applying ETS time to the refined categories.

Observation 3

PwC analyzed the inventory of NCUA rules and regulations, including those NCUA categorized as examination related and the assignment of this subset to the refined categories. There was only one observation regarding the rules and regulations matrix. During the review of the NCUA rules and regulations classifications matrix, PwC discovered two parts of the NCUA rules and regulations that were not mapped or delineated as non-examination related, Parts 713–Fidelity Bond and Insurance Coverage for Federal Credit Unions and 740–Accuracy of Advertising and Notice of Insured Status.

Recommendation 3

Update the matrix to reflect the inclusion of the additional parts discovered during the ETS modifications review to ensure that all NCUA examination related rules and regulations are mapped to refined categories.

It should be noted NCUA acknowledged the exclusion of these parts of the NCUA rules and regulations immediately and updated the matrix contemporaneously during our engagement. Parts 713 and 740 are now included in the revised matrix as “insurance regulatory” related.

5.0 Appendices

The two appendices are germane to the rules and regulations reclassification matrix exercise undertaken by NCUA. The first appendix provides the list of examination related activities and illustrates which ones are insurance regulatory related or non-insurance and consumer regulatory related. The second appendix is an inventory of the entire NCUA rules and regulations and shows which ones are mapped to the above categories and which are either uncategorized or excluded because they are not examination related.

5.1 Inventory of NCUA Rules and Regulations

#	NCUA Regulations (Table of Contents)	Insurance Regulatory Related	Non-Insurance & Consumer Regulatory Related	Excluded – Not Part of Exam Process	N/A (Heading or Reserved)
	Part 700–Definitions				
1	§ 700.1 Scope 700-1				N/A
2	§ 700.2 Definitions 700-1				N/A
	Part 701–Organization and Operations of Federal Credit Unions				N/A
3	§ 701.1 Federal credit union chartering, field of membership modifications, and conversions 701-1		X		
4	§ 701.2 Federal Credit Union Bylaws 701-1		X		

#	NCUA Regulations (Table of Contents)	Insurance Regulatory Related	Non-Insurance & Consumer Regulatory Related	Excluded – Not Part of Exam Process	N/A (Heading or Reserved)
5	§ 701.3 Member inspection of credit union books, records, and minutes 701-1		X		
	§ 701.4-701.5 Reserved				N/A
6	§ 701.6* Fees paid by federal credit unions 701-2		X		
	§ 701.7-701.13 Reserved				N/A
7	§ 701.14* Change in official or senior executive officer in credit unions that are newly chartered or are in troubled condition 701-3	X			
	§ 701.15-701.18 Reserved				N/A
8	§ 701.19 Benefits for employees of federal credit unions 701-4	X			
9	§ 701.20 Suretyship and guaranty 701-5	X			
10	§ 701.21 Loans to members and lines of credit to members 701-5	X			
11	§ 701.22 Loan participation 701-11	X			
12	§ 701.23 Purchase, sale, and pledge of eligible obligations 701-12	X			
13	§ 701.24 Refund of interest 701-13	X			
14	§ 701.25 Charitable contributions and donations 701-13	X			
15	§ 701.26 Credit union service contracts 701-13	X			
16	§ 701.27-701.29 Reserved				N/A
17	§ 701.30 Services for nonmembers within the field of membership 701-14	X			
18	§ 701.31 Nondiscrimination requirements 701-14		X		
19	§ 701.32 Payment on shares by public units and nonmembers 701-16	X			
20	§ 701.33 Reimbursement, insurance, and indemnification of officials and employees 701-17	X			
21	§ 701.34 Designation of low-income status; Acceptance of secondary capital accounts by low-income designated credit unions 701-18	X			
	Appendix to § 701.34 701-20				N/A
	Disclosure and Acknowledgment 701-20				N/A
22	§ 701.35 Share, share draft, and share certificate accounts 701-21		X		
23	§ 701.36 FCU ownership of fixed assets 701-21	X			
24	§ 701.37 Treasury Tax and Loan Depositaries; Depositaries and Financial Agents of the Government 701-23	X			
25	§ 701.38 Borrowed funds from natural persons 701-23	X			
26	§ 701.39 Statutory lien 701-23		X		
	Appendix A Federal Credit Union Bylaws 701-25				N/A
	Part 702–Prompt Corrective Action*				N/A
27	§ 702.1 Authority, purpose, scope, and other supervisory authority 702-1				N/A
28	§ 702.2 Definitions 702-1				N/A
	Subpart A–Net Worth Classification				
29	§ 702.101 Measures and effective date of net worth classification 702-2	X			
30	§ 702.102 Statutory net worth categories 702-2	X			
31	§ 702.103 Applicability of risk-based net worth requirement 702-3	X			
32	§ 702.104 Risk portfolios defined 702-3	X			
33	§ 702.105 Weighted − average life of investments 702-4	X			
34	§ 702.106 Standard calculation of risk-based net worth requirement 702-5	X			
35	§ 702.107 Alternative components for standard calculations 702-6	X			
36	§ 702.108 Risk mitigation credit to reduce risk-based net worth requirements 702-8	X			
	Appendix A – Example Standard Components for RBNW Requirement, §702.106 702-9				N/A
	Appendix B – Allowance Risk Portfolio Dollar Balance Worksheet 702-10				N/A

#	NCUA Regulations (Table of Contents)	Insurance Regulatory Related	Non-Insurance & Consumer Regulatory Related	Excluded – Not Part of Exam Process	N/A (Heading or Reserved)
	Appendix C – Example Long-Term Real Estate Loans Alternative Component §702.107(a) 702-10				N/A
	Appendix D – Example of Member Business Loans- Alternative Component §702.107(b) 702-10				N/A
	Appendix E – Example of Investments Alternative Component §702.107(c) 702-11				N/A
	Appendix F – Example Loans Sold with Recourse Alternative Component §702.107(d)				N/A
	(Example Calculation in Bold 702-11				N/A
	Appendix G – Worksheet for Alternative Risk Weighting of Loans Sold with Contractual				N/A
	Recourse Obligations of Less than 6% (Example Calculation in Bold) 702-11				N/A
	Appendix H – Example RBNW Requirement Using Alternative Components 702-12				N/A
	Subpart B – Mandatory and Discretionary Supervisory Actions				**N/A**
37	§ 702.201 Prompt corrective action for adequately capitalized credit unions 702-12	X			
38	§ 702.202 Prompt corrective action for undercapitalized credit unions 702-12	X			
39	§ 702.203 Prompt corrective action for significantly undercapitalized credit unions 702-13	X			
40	§ 702.204 Prompt corrective action for critically undercapitalized credit unions 702-14	X			
41	§ 702.205 Consultation with State officials on proposed prompt corrective action 702-16	X			
42	§ 702.206 Net worth restoration plans 702-16	X			
	Subpart C – Alternative Prompt Corrective Action for New Credit Unions				**N/A**
43	§ 702.301 Scope and definition 702-18				N/A
44	§ 702.302 Net worth categories for new credit unions 702-18	X			
45	§ 702.303 Prompt corrective action for adequately capitalized new credit unions 702-19	X			
46	§ 702.304 Prompt corrective action for moderately capitalized, marginally capitalized, or minimally capitalized new credit unions 702-19	X			
47	§ 702.305 Prompt corrective action for uncapitalized new credit unions 702-19	X			
48	§ 702.306 Revised business plans for new credit unions 702-20	X			
49	§ 702.307 Incentives for new credit unions 702-21	X			
	Subpart D – Reserves				N/A
	§ 702.401 Reserves 702-21				N/A
50	§ 702.402 Full and fair disclosure of financial condition 702-21	X			
51	§ 702.403 Payment of dividends 702-22	X			
	Part 703 – Investments and Deposit Activities				N/A
52	§ 703.1 Purpose and scope 703-1				N/A
53	§ 703.2 Definitions 703-1				N/A
54	§ 703.3 Investment policies 703-3	X			
55	§ 703.4 Recordkeeping and documentation requirements 703-4	X			
56	§ 703.5 Discretionary control over investments and investment 703-4	X			
57	§ 703.6 Credit analysis 703-4	X			
58	§ 703.7 Notice of non-compliant investments 703-4	X			
59	§ 703.8 Broker-dealers 703-5	X			
60	§ 703.9 Safekeeping of investments 703-5	X			
61	§ 703.10 Monitoring non-security investments 703-5	X			
62	§ 703.11 Valuing securities 703-5	X			
63	§ 703.12 Monitoring securities 703-6	X			

#	NCUA Regulations (Table of Contents)	Insurance Regulatory Related	Non-Insurance & Consumer Regulatory Related	Excluded – Not Part of Exam Process	N/A (Heading or Reserved)
64	§ 703.13 Permissible investment activities 703-6	X			
65	§ 703.14 Permissible investments 703-7	X			
66	§ 703.15 Prohibited investment activities 703-8	X			
67	§ 703.16 Prohibited investments703-8	X			
68	§ 703.17 Conflicts of interest 703-9	X			
69	§ 703.18 Grandfathered investments 703-9	X			
70	§ 703.19 Investment pilot program 703-9	X			
	Part 704 – Corporate Credit Unions*				N/A
71	§ 704.1 Scope 704-1				N/A
72	§ 704.2 Definitions 704-1				N/A
73	§ 704.3 Corporate credit union capital 704-3	X			
74	§ 704.4 Board responsibilities 704-7	**X**			
75	§ 704.5 Investments704-7	X			
76	§ 704.6 Credit risk management 704-8	X			
77	§ 704.7 Lending 704-9	X			
78	§ 704.8 Asset and liability management 704-10	X			
79	§ 704.9 Liquidity management 704-11	X			
80	§ 704.10 Investment action plan 704-11	X			
81	§ 704.11 Corporate Credit Union Service Organizations (Corporate CUSOs) 704-11	X			
82	§ 704.12 Permissible services 704-12	X			
	§ 704.13 Reserved				N/A
83	§ 704.14 Representation 704-13	**X**			
84	§ 704.15 Audit requirements 704-14	X			
85	§ 704.16 Contracts/written agreements 704-14	X			
86	§ 704.17 State-chartered corporate credit unions 704-14	X			
87	§ 704.18 Fidelity bond coverage 704-14	X			
88	Daily average net assets 704-15				N/A
89	§ 704.19 Wholesale corporate credit unions 704-15	X			
	Appendix A to Part 704 Model Forms 704-16				
	Appendix B to Part 704 Expanded Authorities and Requirements 704-17				
	Part 705 – Community Development Revolving Loan Program For Credit Unions*				**N/A**
90	§ 705.0 Applicability 705-1			X	
91	§ 705.1 Scope 705-1			X	
92	§ 705.2 Purpose of the Program 705-1			X	
93	§ 705.3 Definitions 705-1			X	
94	§ 705.4 Program Activities 705-1			X	
95	§ 705.5 Application for Participation 705-1			X	
96	§ 705.6 Community Needs Plan 705-2			X	
97	§ 705.7 Loans to Participating Credit Unions 705-2			X	
98	§ 705.8 State-Chartered Credit Unions 705-3			X	
99	§ 705.9 Application Period 705-3			X	
100	§ 705.10 Technical Assistance 705-3			X	
	Part 706 – Credit Practices				**N/A**
101	§ 706.0 Purpose and Scope 706-1				N/A
102	§ 706.1 Definitions 706-1				N/A
103	§ 706.2 Unfair Credit Practices 706-1		X		
104	§ 706.3 Unfair or Deceptive Cosigner Practices 706-1		X		

#	NCUA Regulations (Table of Contents)	Insurance Regulatory Related	Non-Insurance & Consumer Regulatory Related	Excluded – Not Part of Exam Process	N/A (Heading or Reserved)
105	§ 706.4 Late Charges 706-2		X		
	Part 707 – Truth in Savings*				**N/A**
106	§ 707.1 Authority, purpose, coverage and effect on state laws 707-1				N/A
107	§ 707.2 Definitions 707-1		X		
108	§ 707.3 General disclosure requirements 707-2		X		
109	§ 707.4 Account disclosures 707-3		X		
110	§ 707.5 Subsequent disclosures 707-5		X		
111	§ 707.6 Periodic statement disclosures 707-5		X		
112	§ 707.7 Payment of dividends 707-6		X		
113	§ 707.8 Advertising 707-6		X		
114	§ 707.9 Enforcement and record retention 707-7		X		
	§ 707.10 Reserved				N/A
115	§ 707.11 Additional disclosure requirements for credit unions advertising the payment of overdrafts 707-7		X		
	Appendix A to Part 707 Annual Percentage Yield Calculation				N/A
	Appendix B to Part 707 Model Clauses and Sample Forms				N/A
	B-1 Model Clauses for Account Disclosures (§707.4(b)) 707-14				N/A
	B-2 Model Clauses for Changes in terms (§ 707.5(a)) -21				N/A
	B-3 Model Clauses for Pre-Maturity Notices for Term Share Accounts (§ 707.5(b-c)) 707-21				N/A
	B-4 Sample Form (Signature Card/Application for Membership 707-22				N/A
	B-5 Sample Form (term Share (Certificate) Account) 707-22				N/A
	B-6 Sample Form (Regular Share Account Disclosures) 707-23				N/A
	B-7 Sample Form (Share Draft Account Disclosures) 707-24				N/A
	B-8 Sample Form (Money Market Share Account Disclosures) 707-25				N/A
	B-9 Sample Form (Term Share (Certificate) Account Disclosures) 707-26				N/A
	B-10 Sample Form (Periodic Statement) 707-27				N/A
	B-11 Sample Form (Rate and Fee Schedule) 707-27				N/A
	B-12 Sample Form (Aggregate overdraft and returned item fees) 707-28				N/A
	Appendix C Official Staff Interpretations				N/A
116	§ 707.1 Authority, purpose, coverage, and effect on state laws 707-29				N/A
117	§ 707.2 Definitions 707-29		X		
118	§ 707.3 General disclosure requirements 707-36		X		
119	§ 707.4 Account disclosures 707-37		X		
120	§ 707.5 Subsequent disclosures 707-41		X		
121	§ 707.6 Periodic statement disclosures 707-42		X		
122	§ 707.7 Payment of dividends 707-44		X		
123	§ 707.8 Advertising 707-46		X		
124	§ 707.9 Enforcement and record retention 707-48		X		
	§ 707.10 Reserved				N/A
125	§ 707.11 Additional disclosure requirements for credit unions advertising the payment of overdrafts 707-49		X		
	Appendix A to Appendix C of Part 707 Annual Percentage 707-51				N/A
	Appendix B to Appendix C of Part 707 Model Clauses and Sample Forms 707-52				N/A
	Part 708a – Conversion of Insured Credit Unions to Mutual Saving Banks			**X**	
126	§ 708a.1 Definitions 708a-1			X	
127	§ 708a.2 Authority to convert 708a-1			X	

#	NCUA Regulations (Table of Contents)	Insurance Regulatory Related	Non-Insurance & Consumer Regulatory Related	Excluded – Not Part of Exam Process	N/A (Heading or Reserved)
128	§ 708a.3 Board of directors approval and members opportunity to comment 708a-1			X	
129	§ 708a.4 Disclosures and communications to members 708a-1			X	
130	§ 708a.5 Notice to NCUA 708a-4			X	
131	§ 708a.6 Membership approval of a document to convert 708a-5			X	
132	§ 708a.7 Certification of vote on conversion document 708a-5			X	
133	§ 708a.8 NCUA oversight of methods and procedures of membership vote 708a-5			X	
134	§ 708a.9 Other regulatory oversight of methods and procedures of membership vote 708a-6			X	
135	§ 708a.10 Completion of conversion 708a-6			X	
136	§ 708a.11 Limit on compensation of officials 708a-6			X	
137	§ 708a.12 Voting incentives 708a-6			X	
138	§ 708a.13 Voting guidelines 708a-6			X	
	Part 708b–Mergers of Federally-Insured Credit Unions; Voluntary Termination or Conversion of Insured Status*			**X**	
139	§ 708b.1 Scope 708b-1			X	
140	§ 708b.2 Definitions 708b-1			X	
	Subpart A – Mergers			**X**	
141	§ 708b.101 Mergers generally 708b-1			X	
142	§ 708b.102 Special provisions for federal insurance 708b-2			X	
143	§ 708b.103 Preparation of merger plan 708b-2			X	
144	§ 708b.104 Submission of merger document to the NCUA 708b-2			X	
145	§ 708b.105 Approval of merger document by the NCUA 708b-3			X	
146	§ 708b.106 Approval of the merger document by members 708b-3			X	
147	§ 708b.107 Certificate of vote on merger document 708b-3			X	
148	§ 708b.108 Completion of merger 708b-3			X	
	Subpart B – Voluntary Termination or Conversion of Insured Status			**X**	
149	§ 708b.201 Termination of insurance 708b-4			X	
150	§ 708b.202 Notice to members of document to terminate insurance 708b-4			X	
151	§ 708b.203 Conversion of insurance 708b-4			X	
152	§ 708b.204 Notice to members of document to convert insurance 708b-5			X	
153	§ 708b.205 Modifications to notice and ballot 708b-5			X	
154	§ 708b.206 Share insurance communications to members 708b-6			X	
	Subpart C – Forms			**X**	
155	§ 708b.301 Conversion of insurance (State Chartered Credit Union) 708b-6			X	
156	§ 708b.302 Conversion of Insurance (Federal Credit Union) 708b-9			X	
157	§ 708b.303 Conversion of insurance through merger 708b-11			X	
	Part 709–Involuntary Liquidation of Federal Credit Unions and Adjudication of Creditor Claims Involving Federally Insured Credit Unions in Liquidation*			**X**	
158	§ 709.0 Scope 709-1			X	
159	§ 709.1 Definitions 709-1			X	
160	§ 709.2 NCUA Board as Liquidating Agent 709-1			X	
161	§ 709.3 Challenge to Revocation of Charter and Involuntary Liquidation 709-1			X	
162	§ 709.4 Powers and Duties of Liquidating Agent 709-1			X	
163	§ 709.5 Payout Priorities in Involuntary Liquidation 709-3			X	
164	§ 709.6 Initial Determination of Creditor Claims by the Liquidating Agent 709-3			X	
165	§ 709.7 Procedures for Appeal of Initial Determination 709-4			X	
166	§ 709.8 Administrative Appeal of the Initial Determination 709-4			X	

#	NCUA Regulations (Table of Contents)	Insurance Regulatory Related	Non-Insurance & Consumer Regulatory Related	Excluded – Not Part of Exam Process	N/A (Heading or Reserved)
167	§ 709.9 Expedited Determination of Creditor Claims 709-5			X	
168	§ 709.10 Treatment by conservator or liquidating agent of financial assets transferred in connection with a securitization or participation 709-6			X	
169	§ 709.11 Treatment by conservator or liquidating agent of collateralized public funds 709-7			X	
170	§ 709.12 Prepayment Fees to Federal Home Loan Bank 709-7			X	
171	§ 709.13 Treatment of swap agreements in liquidation or conservatorship 709-7			X	
	Part 710 – Voluntary Liquidation			**X**	
172	§ 710.0 Scope 710-1			X	
173	§ 710.1 Definitions 710-1			X	
174	§ 710.2 Responsibility for Conducting Voluntary Liquidation 710-1			X	
175	§ 710.3 Approval of the Liquidation Document by Members 710-1			X	
176	§ 710.4 Transaction of Business During Liquidation 710-2			X	
177	§ 710.5 Notice of Liquidation to Creditors 710-2			X	
178	§ 710.6 Distribution of Assets 710-2			X	
179	§ 710.7 Retention of Records 710-2			X	
180	§ 710.8 Certificate of Dissolution and Liquidation 710-2			X	
181	§ 710.9 Federally Insured State Credit Unions 710-3			X	
	Part 711–Management Official Interlocks*			**X**	
182	§ 711.1 Authority, Purpose and Scope 711-1			X	
183	§ 711.2 Definitions 711-1			X	
184	§ 711.3 Prohibitions 711-2			X	
185	§ 711.4 Interlocking relationships permitted by statute 711-2			X	
186	§ 711.5 Small market share exemption 711-3			X	
187	§ 711.6 General exemption 711-3			X	
188	§ 711.7 Change in circumstances 711-3			X	
189	§ 711.8 Enforcement 711-4			X	
	Part 712–Credit Union Service Organizations (CUSOs)				**N/A**
190	§ 712.1 What does this part cover? 712-1				N/A
191	§ 712.2 How much can an FCU invest in or loan to CUSOs, and what parties may participate? 712-1	X			
192	§ 712.3 What are the characteristics of and what requirements apply to CUSOs? 712-1	X			
193	§ 712.4 What must an FCU and a CUSO do to maintain separate corporate identities? 712-2	X			
194	§ 712.5 What activities and services are preapproved for CUSOs? 712-2	X			
195	§ 712.6 What activities and services are prohibited for CUSOs? 712-3	X			
	§ 712.7 Removed and Reserved				N/A
196	§ 712.8 What transaction and compensation limits might apply to individuals related to both an FCU and a CUSO? 712-3	X			
197	§ 712.9 When must an FCU begin compliance with this part? 712-4	X			
198	§ 712.10 How can a state supervisory authority obtain an exemption for state chartered credit unions from compliance with §712.3(d)(3)? 712-4	X			
	Part 713 – Fidelity Bond and Insurance Coverage for Federal Credit Unions				**N/A**
199	§ 713.1 What is the scope of this section? 713-1				N/A
200	§ 713.2 What are the responsibilities of a credit union's board of directors under this section? 713-1	X			
201	§ 713.3 What bond coverage must a credit union have? 713-1	X			

#	NCUA Regulations (Table of Contents)	Insurance Regulatory Related	Non-Insurance & Consumer Regulatory Related	Excluded – Not Part of Exam Process	N/A (Heading or Reserved)
202	§ 713.4 What bond forms may be used? 713-1	X			
203	§ 713.5 What is the required minimum dollar amount of coverage? 713-1	X			
204	§ 713.6 What is the permissible deductible? 713-2	X			
205	§ 713.7 May the NCUA Board require a credit union to secure additional insurance coverage? 713-2	X			
	Part 714 – Leasing				**N/A**
206	§ 714.1 What does this part cover? 714-1				N/A
207	§ 714.2 What are the permissible leasing arrangements? 714-1	X			
208	§ 714.3 Must you own the leased property in an indirect leasing arrangement? 714-1	X			
209	§ 714.4 What are the lease requirements? 714-1	X			
210	§ 714.5 What is required if you rely on an estimated residual value greater than 25% of the original cost of the leased property? 714-1	X			
211	§ 714.6 Are you required to retain salvage powers over the leased property? 714-2	X			
212	§ 714.7 What are the insurance requirements applicable to leasing? 714-2	X			
213	§ 714.8 Are the early payment provisions, or interest rate provisions, applicable in leasing 714-2	X			
214	§ 714.9 Are indirect leasing arrangements subject to the purchase of eligible obligation limit set forth in § 701.23 of this chapter? 714-2	X			
215	§ 714.10 What other laws must you comply with when engaged in leasing? 714-2	X			
	Part 715 – Supervisory Committee Audits and Verifications				**N/A**
216	§ 715.1 Scope of this part 715-1				N/A
217	§ 715.2 Definitions used in this part 715-1	X			
218	§ 715.3 General responsibilities of the Supervisory Committee 715-2	X			
219	§ 715.4 Audit responsibility of the Supervisory Committee 715-2	X			
220	§ 715.5 Audit of Federal Credit Unions 715-3	X			
221	§ 715.6 Audit of Federally-insured State-chartered credit unions 715-3	X			
222	§ 715.7 Supervisory Committee audit alternatives to a financial statement audit 715-4	X			
223	§ 715.8 Requirements for verification of accounts and passbooks 715-4	X			
224	§ 715.9 Assistance from outside, compensated person 715-4	X			
225	§ 715.10 Audit report and working paper maintenance and access 715-5	X			
226	§ 715.11 Sanctions for failure to comply with this part 715-5	X			
227	§ 715.12 Statutory audit remedies for Federal credit unions 715-5	X			
	Part 716 – Privacy of Consumer Financial Information and Appendix*				**N/A**
228	§ 716.1 Purpose and scope 716-1				N/A
229	§ 716.2 Model privacy form and examples 716-1				N/A
230	§ 716.3 Definitions 716-1				N/A
	Subpart A – Privacy and Opt Out Notices				**N/A**
231	§ 716.4 Initial privacy notice to consumers required 716-4		X		
232	§ 716.5 Annual privacy notice to members required 716-5		X		
233	§ 716.6 Information to be included in initial and annual privacy notices 716-6		X		
234	§ 716.7 Form of opt out notice to consumers and opt out methods 716-7		X		
235	§ 716.8 Revised privacy notices 716-8		X		
236	§ 716.9 Delivering privacy and opt out notices 716-9		X		
	Subpart B – Limits on Disclosures				**N/A**
237	§ 716.10 Limits on disclosure of nonpublic personal information to nonaffiliated third parties 716-9		X		
238	§ 716.11 Limits on re-disclosure and reuse of information 716-10		X		

#	NCUA Regulations (Table of Contents)	Insurance Regulatory Related	Non-Insurance & Consumer Regulatory Related	Excluded – Not Part of Exam Process	N/A (Heading or Reserved)
239	§ 716.12 Limits on sharing of account number information for marketing purposes 716-11		X		
	Subpart C – Exceptions				**N/A**
240	§ 716.13 Exception to opt out requirements for service providers and joint marketing 716-11		X		
241	§ 716.14 Exceptions to notice and opt out requirements for processing and servicing transactions 716-11		X		
242	§ 716.15 Other exceptions to notice and opt out requirements 716-12		X		
	Subpart D – Relation to Other Laws; Effective Date				**N/A**
243	§ 716.16 Protection of Fair Credit Reporting Act 716-12		X		
244	§ 716.17 Relation to state laws 716-13		X		
245	§ 716.18 Effective date; transition rule 716-13		X		
	Appendix A to Part 716 − Model Privacy Form 716-14				N/A
	Appendix B to Part 716 − Sample Clauses 716-25				N/A
	Part 717 – Fair Credit Reporting				**N/A**
	Subpart A – General Provisions				**N/A**
246	§ 717.1 Purpose, scope, and effective dates 717-1				N/A
247	§ 717.2 Examples 717-1				N/A
248	§ 717.3 Definitions 717-1				N/A
	Subpart B – Reserved				N/A
	Subpart C – Affiliate Marketing				**N/A**
249	§ 717.20 Coverage and definitions 717-2		X		
250	§ 717.21 Affiliate marketing opt-out and exceptions 717-3		X		
251	§ 717.22 Scope and duration of opt-out 717-7		X		
252	§ 717.23 Contents of opt-out notice; consolidated and equivalent notices 717-8		X		
253	§ 717.24 Reasonable opportunity to opt out 717-9		X		
254	§ 717.25 Reasonable and simple methods of opting out 717-10		X		
255	§ 717.26 Delivery of opt-out notices 717-10		X		
256	§ 717.27 Renewal of opt-out 717-10		X		
257	§ 717.28 Effective date, compliance date, and prospective application 717-11		X		
	Subpart D – Medical Information				**N/A**
258	§ 717.30 Obtaining or using medical information in connection with a determination of eligibility for credit 717-12		X		
259	§ 717.31 Limits on re-disclosure of information 717-15		X		
260	§ 717.32 Sharing medical information with affiliates 717-15		X		
	Subpart E − Duties of Furnishers of Information				**N/A**
261	§ 717.40 Scope 717-16				N/A
262	§ 717.41 Definitions 717-16				N/A
263	§ 717.42 Reasonable policies and procedures concerning the accuracy and integrity of furnished information 717-16		X		
264	§ 717.43 Direct disputes 717-16		X		
	Subpart F – H – Reserved				N/A
	Subpart I – Duties of Users of Consumer Reports Regarding Address Discrepancies and Record Disposal				**N/A**
	§ 717.80-717.81 Reserved				N/A
265	§ 717.82 Duties of users regarding address discrepancies 717-18		X		

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266	§ 717.83 Disposal of consumer information 717-18		X		
	§ 717.84-717.89 Reserved				N/A
	Subpart J – Identity Theft Red Flags				**N/A**
267	§ 717.90 Duties regarding the detection, prevention, and mitigation of identity theft 717-19		X		
268	§ 717.91 Duties of card issuers regarding changes of address 717-20		X		
	Appendices A – B Reserved				N/A
	Appendix C to Part 717 Model Forms for Opt-Out Notices 717-20				N/A
	Appendices D to Part 717 Reserved				N/A
	Appendix E To Part 717 Interagency Guidelines Concerning The Accuracy And Integrity of Information Furnished To Consumer Reporting Agencies 717-22				N/A
	Appendices F-I to Part 717 Reserved 717-24				N/A
	Appendix J to Part 717 − Interagency Guidelines on Identity Theft Detection, Prevention, and Mitigation 717-24				N/A
	Parts 718 -720 – Reserved				N/A
	Part 721 – Incidental Powers			**X**	**N/A**
269	§ 721.1 What does this part cover? 721-1			X	N/A
270	§ 721.2 What is an incidental powers activity? 721-1			X	
271	§ 721.3 What categories of activities are preapproved as incidental powers necessary or requisite to carry on a credit union business? 721-1			X	
272	§ 721.4 How may a credit union apply to engage in an activity that is not preapproved as within a credit union incidental powers? 721-2			X	
273	§ 721.5 What limitations apply to a credit union engaging in activities approved under this part? 721-3			X	
274	§ 721.6 May a credit union derive income from activities approved under this part? 721-3			X	
275	§ 721.7 What are the potential conflicts of interest for officials and employees when credit unions engage in activities approved under this part? 721-3			X	
	Part 722 – Appraisals*				**N/A**
276	§ 722.1 Authority, purpose, and scope 722-1				N/A
277	§ 722.2 Definitions 722-1				N/A
278	§ 722.3 Appraisals required; transactions requiring a State certified or licensed appraiser 722-2	X			
279	§ 722.4 Minimum appraisal standards 722-3	X			
280	§ 722.5 Appraiser independence 722-3	X			
281	§ 722.6 Professional association membership; competency 722-3	X			
282	§ 722.7 Enforcement 722-3	X			
	Part 723 – Member Business Loans*				**N/A**
283	§ 723.1 What is a member business loan? 723-1				N/A
284	§ 723.2 What are the prohibited activities? 723-1				N/A
285	§ 723.3 What are the requirements for construction and development lending? 723-1	X			
286	§ 723.4 What other regulations apply to member business lending 723-2	X			
287	§ 723.5 How do you implement a member business loan program? 723-2	X			
288	§ 723.6 What must your member business loan policy address? 723-2	X			
289	§ 723.7 What are the collateral and security requirements? 723-3	X			
290	§ 723.8 How much may one member or a group of associated members borrow? 723-3	X			
291	§ 723.9 Reserved				N/A

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292	§ 723.10 What waivers are available? 723-3	X			
293	§ 723.11 How do you obtain a waiver? 723-4	X			
294	§ 723.12 What will NCUA do with my waiver request? 723-4	X			
295	§ 723.13 What options are available if the NCUA Regional Director denies my waiver request, or a portion of it? 723-4	X			
	§ 723.14-723.15 Reserved				N/A
296	§ 723.16 What is the aggregate member business loan limit for a credit union? 723-4	X			
297	§ 723.17 Are there any exceptions to the aggregate loan limit? 723-5	X			
298	§ 723.18 How do I obtain an exception? 723-5	X			
299	§ 723.19 What are the recordkeeping requirements? 723-5	X			
300	§ 723.20 How can a state supervisory authority develop and enforce a member business loan regulation 723-5	X			
301	§ 723.21 Definitions 723-6				N/A
	Part 724 – Trustees and Custodians of Certain Tax-Advantaged Savings Plans			**X**	
302	§ 724.1 Federal credit unions acting as trustees and custodians of certain tax-advantaged savings plans. . 724-1			X	
303	§ 724.2 Self-directed plans 724-1			X	
304	§ 724.3 Appointment of successor trustee or custodian 724-1			X	
	Part 725–Central Liquidity Facility*			**X**	
305	§ 725.1 Scope 723-1			X	
306	§ 725.2 Definitions 723-1			X	
307	§ 725.3 Regular Membership 725-2			X	
308	§ 725.4 Agent Membership 725-2			X	
309	§ 725.5 Capital Stock 725-3			X	
310	§ 725.6 Termination of Membership 725-4			X	
311	§ 725.7 Special Share Accounts in Federally Chartered Agent Members 725-4			X	
	§ 725.8-725.16 Reserved			X	
312	§ 725.17 Applications for Extensions of Credit 725-4			X	
313	§ 725.18 Creditworthiness 725-5			X	
314	§ 725.19 Collateral Requirements 725-5			X	
315	§ 725.20 Repayment, Security and Credit Reporting Agreements; Other Terms and Conditions 725-5			X	
316	§ 725.21 Modification of Agreements 725-5			X	
317	§ 725.22 Advances to Insurance Organizations 725-5			X	
318	§ 725.23 Other Advances 725-6			X	
	Parts 726-739 – Reserved				N/A
	Part 740 – Accuracy of Advertising and Notice of Insured Status*				**N/A**
319	§ 740.0 Scope 740-1				N/A
320	§ 740.1 Definitions 740-1				N/A
321	§ 740.2 Accuracy of advertising 740-1	X			
322	§ 740.3 Advertising of excess insurance 740-1	X			
323	§ 740.4 Requirements for the official sign 740-1	X			
324	§ 740.5 Requirements for the official advertising statement 740-2	X			
	Part 741 – Requirements for Insurance*				**N/A**
325	§ 741.0 Scope 741-1				N/A
	Subpart A – Regulations That Apply to Both Federal Credit Unions and Federally Insured State Chartered Credit Unions and That Are Not Codified Elsewhere in NCUA				N/A

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	Regulations				
326	§ 741.1 Examination 741-1				N/A
327	§ 741.2 Maximum borrowing authority 741-1	X			
328	§ 741.3 Criteria 741-1	X			
329	§ 741.4 Insurance premium and one percent deposit 741-2	X			
330	§ 741.5 Notice of termination of excess insurance coverage 741-5	X			
331	§ 741.6 Financial and statistical and other reports 741-5	X			
332	§ 741.7 Conversion to a state-chartered credit union 741-6	X			
333	§ 741.8 Purchase of assets and assumption of liabilities 741-6	X			
334	§ 741.9 Uninsured membership shares 741-6	X			
335	§ 741.10 Disclosure of share insurance 741-6	X			
336	§ 741.11 Foreign branching 741-6	X			
	Subpart B – Regulations Codified Elsewhere in NCUA Regulations as Applying to Federal Credit Unions That Also Apply to Federally Insured State Chartered Credit Unions				**N/A**
337	§ 741.201 Minimum fidelity bond requirements 741-7	X			
338	§ 741.202 Audit and verification requirements 741-7	X			
339	§ 741.203 Minimum loan policy requirements 741-7	X			
340	§ 741.204 Maximum public unit and nonmember accounts, and low-income designation 741-8	X			
341	§ 741.205 Reporting requirements for credit unions that are newly chartered or in troubled condition 741-8	X			
342	§ 741.206 Corporate credit unions 741-8	X			
343	§ 741.207 Community development revolving loan program for credit unions 741-8	X			
344	§ 741.208 Mergers of federally insured credit unions: voluntary termination or conversion of insured status 741-8	X			
345	§ 741.209 Management official interlocks 741-9	X			
346	§ 741.210 Central liquidity facility 741-9	X			
347	§ 741.211 Advertising 741-9		X		
348	§ 741.212 Share insurance 741-9	X			
349	§ 741.213 Administrative actions, adjudicative hearings, rules of practice and procedure 741-9	X			
350	§ 741.214 Report of crime or catastrophic act and Bank Secrecy Act compliance 741-9		X		
351	§ 741.215 Records preservation program 741-9		X		
352	§ 741.216 Flood insurance 741-9		X		
353	§ 741.217 Truth in savings 741-9		X		
354	§ 741.218 Involuntary liquidation and creditor claims 741-9	X			
355	§ 741.219 Investment requirements 741-9	X			
356	§ 741.220 Privacy of consumer financial information 741-9		X		
357	§ 741.221 Suretyship and guaranty requirements741-10	X			
358	§ 741.222 Credit Union Service Organizations 741-10	X			
359	Appendix A to Part 741 − Examples of Partial-Year NCUSIF Assessment and Distribution Calculations Under §741.4 741-10				N/A
	Part 742–Regulatory Flexibility Program			**X**	**N/A**
360	§ 742.1 Regulatory Flexibility Program 742-1			X	
361	§ 742.2 Criteria to qualify for RegFlex designation 742-1			X	
362	§ 742.3 Loss and revocation of RegFlex designation 742-1			X	

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363	§ 742.4 RegFlex Relief 742-1			X	
	Parts 743-744 – Reserved				N/A
	Part 745 – Share Insurance and Appendix*				**N/A**
	Subpart A – Clarification and Definition of Account Insurance Coverage				**N/A**
364	§ 745.0 Scope 745-1				N/A
365	§ 745.1 Definitions 745-1				N/A
366	§ 745.2 General Principles Applicable in Determining Insurance of Accounts 745-1		X		
367	§ 745.3 Single Ownership Accounts 745-2		X		
368	§ 745.4 Revocable trust accounts 745-3		X		
369	§ 745.5 Accounts Held by Executors or Administrators 745-5		X		
370	§ 745.6 Accounts Held by a Corporation, Partnership or Unincorporated Association 745-5		X		
371	§ 745.7 Shares accepted in a foreign currency 745-5		X		
372	§ 745.8 Joint ownership accounts 745-5		X		
373	§ 745.9-1 Trust Accounts 745-6		X		
374	§ 745.9-2 Retirement and other employee benefit plan accounts 745-6		X		
375	§ 745.10 Accounts Held by Government Depositors 745-7		X		
376	§ 745.11 Accounts Evidenced by Negotiable Instruments 745-7		X		
377	§ 745.12 Account Obligations for Payment of Items Forwarded for Collection by Depository Institution Acting as Agent 745-7		X		
378	§ 745.13 Notification to Members/ Shareholders745-8		X		
	Subpart B–Payment of Share Insurance and Appeals				**N/A**
379	§ 745.200 General 745-8				N/A
380	§ 745.201 Processing of Insurance Claims 745-8		X		
381	§ 745.202 Appeal 745-9		X		
382	§ 745.203 Judicial Review 745-9		X		
	Appendix To Part 745 − Examples Of Insurance Coverage Afforded Accounts In Credit Unions Insured By The National Credit Union Share Insurance Fund 745-10				N/A
	Part 746 – Reserved				N/A
	Part 747 – Administrative Actions, Adjudicative Hearings, Rules of Practice and Procedure, and Investigations*			**X**	
383	§ 747.0 Scope of part 747 747-1			X	
	Subpart A – Uniform Rules of Practice and Procedure			**X**	
384	§ 747.1 Scope 747-1			X	
385	§ 747.2 Rules of Construction 747-1			X	
386	§ 747.3 Definitions 747-1			X	
387	§ 747.4 Authority of the NCUA Board 747-2			X	
388	§ 747.5 Authority of the Administrative Law Judge 747-2			X	
389	§ 747.6 Appearance and Practice in Adjudicatory Proceedings 747-2			X	
390	§ 747.7 Good Faith Certification 747-3			X	
391	§ 747.8 Conflicts of Interest 747-3			X	
392	§ 747.9 Ex Parte Communications 747-3			X	
393	§ 747.10 Filing of Papers 747-4			X	
394	§ 747.11 Service of Papers 747-4			X	
395	§ 747.12 Construction of Time Limits 747-5			X	
396	§ 747.13 Change of Time Limits 747-5			X	
397	§ 747.14 Witness Fees and Expenses 747-6			X	

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398	§ 747.15 Opportunity for Informal Settlement 747-6			X	
399	§ 747.16 NCUA's Right to Conduct Examination 747-6			X	
400	§ 747.17 Collateral Attacks on Adjudicatory Proceeding 747-6			X	
401	§ 747.18 Commencement of Proceeding and Contents of Notice 747-6			X	
402	§ 747.19 Answer 747-6			X	
403	§ 747.20 Amended Pleadings 747-7			X	
404	§ 747.21 Failure to Appear 747-7			X	
405	§ 747.22 Consolidation and Severance of Actions 747-7			X	
406	§ 747.23 Motions 747-7			X	
407	§ 747.24 Scope of Document Discovery 747-8			X	
408	§ 747.25 Request for Document Discovery from Parties 747-8			X	
409	§ 747.26 Document Subpoenas to Nonparties 747-9			X	
410	§ 747.27 Deposition of Witness Unavailable for Hearing 747-10			X	
411	§ 747.28 Interlocutory Review 747-10			X	
412	§ 747.29 Summary Disposition 747-11			X	
413	§ 747.30 Partial Summary Disposition 747-11			X	
414	§ 747.31 Scheduling and Prehearing Conferences 747-11			X	
415	§ 747.32 Prehearing Submissions 747-12			X	
416	§ 747.33 Public Hearings 747-12			X	
417	§ 747.34 Hearing Subpoenas 747-12			X	
418	§ 747.35 Conduct of Hearings 747-13			X	
419	§ 747.36 Evidence 747-13			X	
420	§ 747.37 Post-hearing Filings 747-14			X	
421	§ 747.38 Recommended Decision and Filing of Record 747-14			X	
422	§ 747.39 Exceptions to Recommended Decision 747-14			X	
423	§ 747.40 Review by the NCUA Board 747-15			X	
424	§ 747.41 Stays Pending Judicial Review 747-15			X	
	Subpart B – Local Rules of Practice and Procedure			**X**	
425	§ 747.100 Discovery Limitations 747-15			X	
	Subpart C – Local Rules and Procedures Applicable to Proceedings for the Involuntary Termination of Insured Status			**X**	
426	§ 747.201 Scope 747-15			X	
427	§ 747.202 Grounds for Termination of Insurance 747-16			X	
428	§ 747.203 Notice of Charges 747-16			X	
429	§ 747.204 Notice of Intention to Terminate Insured Status 747-16			X	
430	§ 747.205 Order Terminating Insured Status 747-16			X	
431	§ 747.206 Consent to Termination of Insured Status 747-16			X	
432	§ 747.207 Notice of Termination of Insured Status 747-16			X	
433	§ 747.208 Duties after Termination 747-17			X	
	Subpart D–Local Rules and Procedures Applicable to Suspensions and Prohibitions Where Felony Charged			**X**	
434	§ 747.301 Scope 747-17			X	
435	§ 747.302 Rules of Practice; Remainder of Board of Director 747-17			X	
436	§ 747.303 Notice of suspension or prohibition 747-18			X	
437	§ 747.304 Removal or permanent prohibition 747-18			X	
438	§ 747.305 Effectiveness of Suspension or Removal until Completion of Hearing 747-19			X	
439	§ 747.306 Notice of Opportunity for Hearing 747-19			X	

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440	§ 747.307 Hearing 747-19			X	
441	§ 747.308 Waiver of Hearing; Failure to Request Hearing or Review Based on Written Submissions; Failure to Appear 747-20			X	
442	§ 747.309 Decision of the NCUA Board 747-20			X	
443	§ 747.310 Reconsideration by the NCUA Board 747-20			X	
444	§ 747.311 Relevant Considerations 747-20			X	
	Subpart E – Local Rules and Procedures Applicable to Proceedings Relating to the Suspension or Revocation of Charters and to Involuntary Liquidations			**X**	
445	§ 747.401 Scope 747-21			X	
446	§ 747.402 Grounds for Suspension or Revocation of Charter and for Involuntary Liquidation 747-21			X	
447	§ 747.403 Notice of Intent to Suspend or Revoke Charter; Notice of Suspension 747-21			X	
448	§ 747.404 Notice of Hearing 747-21			X	
449	§ 747.405 Issuance of Order 747-21			X	
450	§ 747.406 Cancellation of Charter 747-22			X	
	Subpart F – Local Rules and Procedures Applicable to Proceedings Relating to the Termination of Membership in the Central Liquidity Facility – Reserved			**X**	
	Subpart G – Local Rules and Procedures Applicable to Recovery of Attorneys Fees and Other Expenses Under the Equal Access to Justice Act in NCUA Board Adjudications			**X**	
451	§ 747.601 Purpose and Scope 747-22			X	
452	§ 747.602 Eligibility of Applicants 747-22			X	
453	§ 747.603 Prevailing Party 747-23			X	
454	§ 747.604 Standards for Award 747-23			X	
455	§ 747.605 Allowable Fees and Expenses 747-23			X	
456	§ 747.606 Contents of Application 747-23			X	
457	§ 747.607 Statement of Net Worth 747-24			X	
458	§ 747.608 Documentation of Fees and Expenses 747-24			X	
459	§ 747.609 Filing and Service of Applications 747-24			X	
460	§ 747.610 Answer to Application 747-25			X	
461	§ 747.611 Comments by Other Parties 747-25			X	
462	§ 747.612 Settlement 747-25			X	
463	§ 747.613 Further Proceedings 747-25			X	
464	§ 747.614 Recommended Decision 747-25			X	
465	§ 747.615 Decision of the NCUA Board 747-26			X	
466	§ 747.616 Payment of Award 747-26			X	
	Subpart H – Local Rules and Procedures Applicable to Investigations			**X**	
467	§ 747.701 Applicability 747-26			X	
468	§ 747.702 Information Obtained in Investigations 747-26			X	
469	§ 747.703 Authority to Conduct Investigations 747-26			X	
	Subpart I – Local Rules and Procedures Applicable to Formal Investigative Proceedings			**X**	
470	§ 747.801 Applicability 747-27			X	
471	§ 747.802 Non-public Formal Investigative Proceeding 747-27			X	
472	§ 747.803 Subpoenas 747-27			X	
473	§ 747.804 Oath; False Statements 747-27			X	
474	§ 747.805 Self-incrimination; Immunity 747-27			X	

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475	§ 747.806 Transcripts 747-28			X	
476	§ 747.807 Rights of Witnesses 747-28			X	
	Subpart J – Local Procedures and Standards Applicable to a Notice of Change in Senior Executive Officers, Directors or Committee Members Pursuant to Section 212 of the Act			**X**	
477	§ 747.901 Scope 747-28			X	
478	§ 747.902 Grounds for Disapproval of Notice 747-29			X	
479	§ 747.903 Procedures Where Notice of Disapproval Issued; Reconsideration 747-29			X	
480	§ 747.904 Appeal 747-29			X	
481	§ 747.905 Judicial Review 747-29			X	
	Subpart K – Inflation Adjustment of Civil Monetary Penalties			**X**	
482	§ 747.1001 Adjustment of civil money penalties by the rate of inflation 747-30			X	
	Subpart L – Insurance, Review and Enforcement of Orders Imposing Prompt Corrective Action			**X**	
483	§ 747.2001 Scope 747-31			X	
484	§ 747.2002 Review of orders imposing discretionary supervisory action 747-31			X	
485	§ 747.2003 Review of order reclassifying a credit union on safety and soundness criteria 747-32			X	
486	§ 747.2004 Review of order to dismiss a director or senior executive officer 747-33			X	
487	§ 747.2005 Enforcement of orders 747-34			X	
	Part 748 – Security Program, Report of Suspected Crimes, Suspicious Transactions, Catastrophic Acts, and Bank Secrecy Act Compliance				**N/A**
488	§ 748.0 Security program 748-1				N/A
489	§ 748.1 Filing of reports 748-1	X			
490	§ 748.2 Procedures for monitoring Bank Secrecy Act (BSA) compliance 748-3	X			
	Appendix A to Part 748 Guidelines for Safeguarding Member Information 748-3				N/A
	Appendix B to Part 748 Guidance on Response Programs for Unauthorized Access to Member Information and Member Notice 748-6				N/A
	Part 749 – Records Preservation Program And Appendices-Record Retention Guidelines; Catastrophic Act Preparedness Guidelines				**N/A**
491	§ 749.0 Purpose and Scope 749-1				N/A
492	§ 749.1 Definitions 749-1				N/A
493	§ 749.2 Vital Records Preservation Program 749-1	X			
494	§ 749.3 Vital Records Center 749-1	X			
495	§ 749.4 Format for Vital Records Preservation 749-1	X			
496	§ 749.5 Format for Records Required by Other NCUA Regulations 749-2	X			
	Appendix A to Part 749 Record Retention Guidelines 749-2				N/A
	Appendix B to Part 749 Catastrophic Act Preparedness Guidelines 749-3				N/A
	Parts 750-759 – Reserved				**N/A**
	Part 760 – Loans in Areas Having Special Flood Hazards*				**N/A**
497	§ 760.1 Authority, purpose, and scope 760-1				N/A
498	§ 760.2 Definitions 760-1				N/A
499	§ 760.3 Requirement to purchase flood insurance where available 760-1		X		
500	§ 760.4 Exemptions 760-1		X		

#	NCUA Regulations (Table of Contents)	Insurance Regulatory Related	Non-Insurance & Consumer Regulatory Related	Excluded – Not Part of Exam Process	N/A (Heading or Reserved)
501	§ 760.5 Escrow requirement 760-2		X		
502	§ 760.6 Required use of standard flood hazard determination form 760-2		X		
503	§ 760.7 Forced placement of flood insurance 760-2		X		
504	§ 760.8 Determination fees 760-2		X		
505	§ 760.9 Notice of special flood hazards and availability of Federal disaster relief assistance 760-2		X		
506	§ 760.10 Notice of servicers identity 760-3		X		
	Appendix to Part 760 Sample Form of Notice of Special Flood Hazards and Availability of Federal Disaster Relief Assistance 760-3				N/A
	Parts 761-789 – Reserved				**N/A**
	Part 790–Description of NC UA; Request for Agency Action			**X**	
507	§ 790.1 Scope 790-1			X	
508	§ 790.2 Central and regional office organization 790-1			X	
	§ 790.3 Requests for action 790-4			X	
	Part 791 – Rules of NC UA Board Procedure; Promulgation of NC UA Rules and Regulations; Public Observation of NC UA Board Meetings			**X**	
	Subpart A–Rules of NCUA Board Procedure			**X**	
509	§ 791.1 Scope 791-1			X	
510	§ 791.2 Number of votes required for board action 791-1			X	
511	§ 791.3 Voting by proxy 791-1			X	
512	§ 791.4 Methods of acting 791-1			X	
513	§ 791.5 Scheduling of board meetings 791-1			X	
514	§ 791.6 Subject matter of a meeting 791-2			X	
	Subpart B – Promulgation of NCUA Rules and Regulations			**X**	
515	§ 791.7 Scope 791-2			X	
516	§ 791.8 Promulgation of NCUA rules and regulations 791-2			X	
	Subpart C – Public Observation of NCUA Board Meetings Under the Sunshine Act			**X**	
517	§ 791.9 Scope 791-2			X	
518	§ 791.10 Definitions 791-3			X	
519	§ 791.11 Open meetings 791-3			X	
520	§ 791.12 Exemptions 791-3			X	
521	§ 791.13 Public announcement of meetings 791-4			X	
522	§ 791.14 Regular procedure for closing meeting discussions or limiting the disclosure of information 791-4			X	
523	§ 791.15 Requests for open meeting 791-5			X	
524	§ 791.16 General counsel certification 791-5			X	
525	§ 791.17 Maintenance of Meeting Records 791-5			X	
526	§ 791.18 Public availability of meeting records and other documents 791-5			X	
	Part 792 – Requests for Information Under the Freedom of Information Act and Privacy Act, and by Subpoena; Security Procedures for Classified Information			**X**	
	Subpart A – The Freedom of Information Act			**X**	
527	§ 792.01 General Purpose 792-1			X	
528	What is the purpose of this subpart? 792-1			X	
529	Records Publicly Available 792-1			X	
530	§ 792.02 What records does NCUA make available to the public for inspection and copying? 792-1			X	

#	NCUA Regulations (Table of Contents)	Insurance Regulatory Related	Non-Insurance & Consumer Regulatory Related	Excluded – Not Part of Exam Process	N/A (Heading or Reserved)
531	§ 792.03 How will I know which records to request? 792-1			X	
532	§ 792.04 How can I obtain these records? 792-1			X	
533	§ 792.05 What is the significance of records made available and indexed? 792-1			X	
534	Records Available Upon Request 792-2			X	
535	§ 792.06 Can I obtain other records? 792-2			X	
536	§ 792.07 Where do I send my request? 792-2			X	
537	§ 792.08 What must I include in my request? 792-2			X	
538	§ 792.09 What if my request does not meet the requirements of this subpart? 792-2			X	
539	§ 792.10 What will NCUA do with my request? 792-2			X	
540	§ 792.11 What kind of records are exempt from public disclosure? 792-3			X	
541	§ 792.12 How will I know what records NCUA has determined to be exempt? 792-4			X	
542	§ 792.13 Can I get the records in different forms or formats? 792-4			X	
543	§ 792.14 Who is responsible for responding to my request? 792-4			X	
544	§ 792.15 How long will it take to process my request? 792-4			X	
545	§ 792.16 What unusual circumstances can delay NCUA response? 792-4			X	
546	§ 792.17 What can I do if the time limit passes and I still have not received a response? 792-5			X	
547	Expedited Processing 792-5			X	
548	§ 792.18 What if my request is urgent and I cannot wait for the records? 792-5			X	
549	Fees 792-5			X	
550	§ 792.19 How does NCUA calculate the fees for processing my request? 792-5			X	
551	§ 792.20 What are the charges for each fee category? 792-6			X	
552	§ 792.21 Will NCUA provide a fee estimate? 792-6			X	
553	§ 792.22 What will NCUA charge for other services? 792-6			X	
554	§ 792.23 Can I avoid charges by sending multiple, small requests? 792-6			X	
555	§ 792.24 Can NCUA charge me interest if I fail to pay my bill? 792-6			X	
556	§ 792.25 Will NCUA charge me if the records are not found or are determined to be exempt? 792-6			X	
557	§ 792.26 Will I be asked to pay fees in advance? 792-6			X	
558	Fee Waiver or Reduction 792-7			X	
559	§ 792.27 Can fees be reduced or waived? 792-7			X	
560	Appeals 792-7				
561	§ 792.28 What if I am not satisfied with the response I receive? 792-7			X	
562	§ 792.29 If I send NCUA confidential commercial information, can it be disclosed under FOIA? 792-8			X	
563	Release of Exempt Information 792-8				
564	§ 792.30 Is there a prohibition against disclosure of exempt records? 792-8			X	
565	§ 792.31 Can exempt records be disclosed to credit unions, financial institutions and state or federal agencies? 792-8			X	
566	§ 792.32 Can exempt records be disclosed to investigatory agencies? 792-9			X	
	Subpart B – Reserved			**X**	
	Subpart C – Production of Nonpublic Records and Testimony of NCUA Employees in Legal Proceedings			**X**	
567	§ 792.40 What does this subpart prohibit? 792-9			X	
568	§ 792.41 When does this subpart apply? 792-9			X	
569	§ 792.42 How do I request nonpublic records or testimony? 792-9			X	
570	§ 792.43 What must my written request contain? 792-10			X	

#	NCUA Regulations (Table of Contents)	Insurance Regulatory Related	Non-Insurance & Consumer Regulatory Related	Excluded – Not Part of Exam Process	N/A (Heading or Reserved)
571	§ 792.44 When should I make a request? 792-10			X	
572	§ 792.45 Where do I send my request? 792-10			X	
573	§ 792.46 What will the NCUA do with my request? 792-10			X	
574	§ 792.47 If my request is granted, what fees apply? 792-11			X	
575	§ 792.48 If my request is granted, what restrictions apply? 792-11			X	
576	§ 792.49 Definitions 792-11			X	
	Subpart D – Security Procedures for Classified Information			**X**	
577	§ 792.50 Program 792-12			X	
578	§ 792.51 Procedures 792-12			X	
	Subpart E – The Privacy Act			**X**	
579	§ 792.52 Scope 792-12			X	
580	§ 792.53 Definitions 792-13			X	
581	§ 792.54 Procedures for requests pertaining to individual records in a system of records 792-13			X	
582	§ 792.55 Times, places, and requirements for identification of individuals making requests and identification of records requested 792-13			X	
583	§ 792.56 Notice of existence of records, access decisions and disclosure of requested information; time limits 792-14			X	
584	§ 792.57 Special procedures: Information furnished by other agencies; medical records 792-14			X	
585	§ 792.58 Requests for correction or amendment to a record; administrative review of requests 792-14			X	
586	§ 792.59 Appeal of initial determination 792-15			X	
587	§ 792.60 Disclosure of record to person other than the individual to whom it pertains 792-15			X	
588	§ 792.61 Accounting for disclosures 792-16			X	
589	§ 792.62 Requests for accounting for disclosures 792-16			X	
590	§ 792.63 Collection of information from individuals; information forms 792-16			X	
591	§ 792.64 Contracting for the operation of a system of records 792-16			X	
592	§ 792.65 Fees 792-17			X	
593	§ 792.66 Exemptions 792-17			X	
594	§ 792.67 Security of systems of records 792-18			X	
595	§ 792.68 Use and collection of Social Security numbers 792-18			X	
596	§ 792.69 Training and employee standards of conduct with regard to privacy 792-18			X	
	Part 793 – Tort Claims Against the Government			**X**	
	Subpart A – General			**X**	
597	§ 793.1 Scope of regulations 793-1			X	
	Subpart B – Procedures			**X**	
598	§ 793.2 Administrative claim; when presented; place of filing 793-1			X	
599	§ 793.3 Administrative claim; who may file 793-1			X	
600	§ 793.4 Administrative claim; evidence and information to be submitted 793-1			X	
601	§ 793.5 Investigation, examination, and determination of claims 793-2			X	
602	§ 793.6 Final denial of claim 793-2			X	
603	§ 793.7 Payment of approved claims 793-3			X	
604	§ 793.8 Release 793-3			X	
605	§ 793.9 Penalties 793-3			X	
606	§ 793.10 Limitation on National Credit Union Administration's authority 793-3			X	

#	NCUA Regulations (Table of Contents)	Insurance Regulatory Related	Non-Insurance & Consumer Regulatory Related	Excluded – Not Part of Exam Process	N/A (Heading or Reserved)
	Part 794 – Enforcement of Nondiscrimination on the Basis of Handicap in Federally Conducted Programs			**X**	
	Part 795 – Reserved			**X**	
	Part 796 – Post-Employment Restrictions for Certain NC UA Examiners			**X**	
607	§ 796.1 What is the purpose and scope of this part? 796-1			X	
608	§ 796.2 Who is considered a senior examiner of the NCUA? 796-1			X	
609	§ 796.3 What special post-employment restrictions apply to senior examiners? 796-1			X	
610	§ 796.4 When do these special restrictions become effective and may they be waived? 796-1			X	
611	§ 796.5 What are the penalties for violating these special post-employment restrictions? 796-1			X	
612	§ 796.6 What other definitions and rules of construction apply for purposes of this part? 796-1			X	
	Part 797 – Procedures for Debt Collection			**X**	
	Subpart A − Scope, Purpose, Definitions and Delegation of Authority			**X**	
613	§ 797.1 Scope 797-1			X	
614	§ 797.2 Purpose 797-1			X	
615	§ 797.3 Definitions 797-1			X	
616	§ 797.4 Delegation of authority 797-2			X	
	Subpart B − Administrative Offset			**X**	
617	§ 797.5 Authority and scope 797-2			X	
618	§ 797.6 Administrative offset prior to completion of procedures 797-2			X	
619	§ 797.7 Procedures 797-2			X	
620	§ 797.8 Right to agency review 797-3			X	
621	§ 797.9 Review procedures 797-3			X	
622	§ 797.10 Special review 797-3			X	
623	§ 797.11 Interest, administrative costs, and penalties 797-4			X	
624	§ 797.12 Refunds 797-4			X	
625	§ 797.13 Requests for administrative offset where NCUA is the creditor agency 797-4			X	
626	§ 797.14 Requests for administrative offset from other federal agencies where NCUA is the paying agency 797-4			X	
627	§ 797.15 Administrative offset against amounts payable from Civil Service Retirement and Disability Fund 797-4			X	
628	§ 797.16 Stay of offset 797-4			X	
	Subpart C – Salary Offset			**X**	
629	§ 797.17 Authority and scope 797-4			X	
630	§ 797.18 Notice requirements where NCUA is the creditor agency 797-5			X	
631	§ 797.19 Review of NCUA records related to the debt 797-5			X	
632	§ 797.20 Procedures to request a hearing 797-5			X	
633	§ 797.21 Hearing procedures 797-6			X	
634	§ 797.22 Voluntary repayment agreement 797-6			X	
635	§ 797.23 Certification where NCUA is the creditor agency 797-7			X	
636	§ 797.24 Certification where NCUA is the paying agency 797-7			X	
637	§ 797.25 Recovery from final check or other payments due a separated employee 797-7			X	
637	Total of 637 discrete rules (excluding reserved, headers, and example forms and calculations)	161	91	385	

#	NCUA Regulations (Table of Contents)	Insurance Regulatory Related	Non-Insurance & Consumer Regulatory Related	Excluded – Not Part of Exam Process	N/A (Heading or Reserved)
	% of total	25%	14%	60%	
252	Total, examination related rules and regulations	161	91		
	% of total	64%	36%		

5.2 Examination Related NCUA Rules and Regulations Mapped to Refined Categories

#	NCUA Regulation	Part	Insurance Regulatory Related	Non-Insurance and Consumer Regulatory Related	Description	Rule/Regulation
1	§Part 701 – Organization and Operations of FCUs	.1 –Federal credit union chartering, field of membership modifications, and conversions.		X	This part addresses the location of NCUA's chartering and field of membership policies.	§ 701.1 Federal credit union chartering, field of membership modifications, and conversions. National Credit Union Administration policies concerning chartering, field of membership modifications, and conversions are set forth in Interpretive Ruling and Policy Statement 08-2, Chartering and Field of Membership Manual (IRPS 08-2) published as Appendix B to this part. The Chartering and Field of Membership Manual also is available on-line at http://www.ncua.gov. NCUA's in-house publication of the regulations does not include the Chartering and Field of Membership Manual as an appendix to this part.
2		.2 –Federal Credit Union Bylaws		X	Requires FCU's to operate in accordance with their approved bylaws.	§ 701.2 Federal Credit Union Bylaws (a) Federal credit unions must operate in accordance with their approved bylaws. The Federal Credit Union Bylaws are hereby published as Appendix A to Part 701 pursuant to 5 U.S.C. 552(a)(1) and accompanying regulations. Federal credit unions may adopt amendments to their bylaws as provided in the Bylaws, with the approval of the Board. (b) Copies of the Federal Credit Union Bylaws may be obtained at http://www.ncua.gov or by request addressed to ogcmail@ncua.gov or National Credit Union Administration, 1775 Duke Street, Alexandria, VA 22314 (c) The National Credit Union Administration may issue revisions or amendments of the Federal Credit Union Bylaws from time to time. An historic file of amendments or revisions is maintained and made available for inspection at the National Credit Union Administration, 1775 Duke Street, Alexandria, VA 22314.
3		.3 –Member inspection of credit union books, records, and minutes.		X	This part grants a group of members the right to inspect the books and records of an FCU.	§ 701.3 Member inspection of credit union books, records, and minutes. (a) Member inspection rights. A group of members of a federal credit union has the right, upon submission of a petition to the credit union as described in paragraph (b) of this section, to inspect and copy non-confidential portions of the credit union's: (1) Accounting books and records; and (2) Minutes of the proceedings of the credit union's members, board of directors, and committees of directors; (b) Petition for inspection. The petition must describe the particular records to be inspected and state a proper purpose for the inspection, that is, a purpose related to the protection of the members' financial interests in the credit union. The petition must state that the petitioners as a whole, or certain named petitioners, agree to pay the direct and reasonable costs associated with search and duplication of requested material. The petition must also state that the inspection is not desired for any purpose other than the stated purpose; that the members signing the petition will not sell or offer for sale any information obtained from the credit union; and that the members signing the petition have not within five years preceding the signature date sold or offered for sale any information acquired from the credit union or aided or abetted any person in procuring any information from the credit union for purposes of sale. The petition must name one member, and one alternate member, who will represent the petitioners on issues such as inspection procedures, costs, and potential disputes. At least one percent of the credit union's members, with a minimum of 20 members and a maximum of 500 members, must sign the petition. Each member who signs the petition must have been a member of the credit union for at least 180 days at the time the petitioners submit the petition to the credit union. (c) Inspection procedures. (1) A federal credit union must respond to petitioners within 14 days of receiving a petition. In its response, a credit union must inform petitioners either that it will provide inspection of the requested material and, if so, when, or, if a credit union is going to withhold all or part of the requested material, it must inform petitioners what part of the requested material it intends to withhold and the reasons for withholding the requested material. As soon as possible after receiving a petition, a credit union must schedule inspection and copying of non-confidential requested material it determines petitioners may inspect and copy.(2) Inspection may be made in person or by agent or attorney and at any reasonable time or times. The credit union may, at its option, skip inspection and deliver copies of requested documents directly to the petitioners. Member inspection rights under this section are in addition to any other member inspection rights afforded by the credit union's charter or bylaws or other federal law or federal regulation. (3) If the credit union denies inspection because the petitioners have failed to obtain the minimum number of valid signatures, the credit union must inform the petitioners which signatures were not valid and why. (d) Confidential books, records, and minutes. Members do not have the right to inspect any portion of the books, records, or minutes of a federal credit union if: (1) Federal law or regulation prohibits disclosure of that portion; (2) The publication of that portion could cause the credit union predictable and substantial financial harm; (3) That portion contains nonpublic personal information as defined in §716.3 of this part; or (4) That portion contains information about credit union employees or officials the disclosure of which would constitute a clearly unwarranted invasion of personal privacy. (e) Costs. A federal credit union may charge petitioners the direct and reasonable costs associated with search and duplication. The credit union may not charge for other costs, including indirect costs or attorney's fees. (f) Dispute resolution. (1) In the event of a dispute between a federal credit union and its members concerning a petition for inspection or the associated costs, either party may submit the dispute to the regional director. The regional director, after obtaining the views of both parties, will direct the credit union either to withhold the disputed materials or to make them available for member inspection and copying. The regional director may place conditions upon release. The decision of the regional director is a final agency decision and is not appealable to the Board. (2) The regional director has the discretion to refer any dispute to the credit union's supervisory committee for review and resolution. If petitioners are not satisfied with the supervisory committee's response, they may resubmit the dispute to the regional director.
4		.4-.5 – Reserved				
5		.6 – Fees paid by federal credit unions.		X	This section establishes the fees to be paid by the credit union to the NCUA.	§ 701.6 Fees paid by federal credit unions. (a) Basis for assessment. Each calendar year or as otherwise directed by the Board, each Federal credit union shall pay to the Administration for the current National Credit Union Administration fiscal year (January 1 to December 31) an operating fee in accordance with a schedule as fixed from time to time by the National Credit Union Administration Board based on the total assets of each Federal credit union as of December 31 of the preceding year or as otherwise determined pursuant to paragraph (b) of this section. The operating fee is determined based on total assets less the assets created on the books of a natural person federal credit union by investments made in a corporate credit union under the Credit Union System Investment Program or the Credit Union Homeowners Affordability Relief Program. (b) Coverage. The operating fee shall be paid by each Federal credit union engaged in operations as of January 1 of each calendar year, except as otherwise provided by this paragraph. (1) New charters. A newly chartered Federal credit union will not pay an operating fee until the year following the first full calendar year after the date chartered. (2) Conversions. A state chartered credit union that converts to Federal charter will pay an operating fee in the year following the conversion. Federal credit unions converting to state charter will not receive a refund of the operating fee paid to the Administration in the year in which the conversion takes place. (3) Mergers. A continuing Federal credit union that has merged with another credit union will pay an operating fee in the following year based on the combined total assets of the merged credit union and the continuing Federal credit union as of December 31 of the year in which the merger took place. For purposes of this requirement, a purchase and assumption transaction wherein the continuing Federal credit union purchases all or essentially all of the assets of another credit union shall be deemed a merger. Federal credit unions merging with other

#	NCUA Regulation	Part	Insurance Regulatory Related	Non-Insurance and Consumer Regulatory Related	Description	Rule/Regulation
						Federal or state credit unions will not receive a refund of the operating fee paid to the Administration in the year in which the merger took place. (4) Liquidations. A Federal credit union placed in liquidation will not pay any operating fee after the date of liquidation. (c) Notification. Each Federal credit union shall be notified at least 30 days in advance of the schedule of fees to be paid. A Federal credit union may submit written comments to the Board for consideration regarding the existing fee schedule. Any subsequent revision to the schedule shall be provided to each Federal credit union at least 15 days before payment is due. (d) Assessment of Administrative Fee and Interest for Delinquent Payment. Each Federal credit union shall pay to the Administration an administrative fee, the costs of collection, and interest on any delinquent payment of its operating fee. A payment will be considered delinquent if it is post-marked later than the date stated in the notice to the credit union provided under § 701.6(c). The National Credit Union Administration may waive or abate charges or collection of interest if circumstances warrant. (1) The administrative fee for a delinquent payment shall be an amount fixed from time to time by the National Credit Union Administration Board and based upon the administrative costs of such delinquent payments to the Administration in the preceding year. (2) The costs of collection shall be the actual hours expended by Administration personnel multiplied by the average hourly salary and benefits costs of such personnel as determined by the National Credit Union Administration Board. (3) The interest rate charged on any delinquent payment shall be the U.S. Department of the Treasury Tax and Loan Rate in effect on the date when the payment is due as provided in 31 U.S.C. 3717. (4) If a credit union makes a combined payment of its operating fee and its share insurance deposit as provided in § 741.4 of this chapter and such payment is delinquent, only one administrative fee will be charged and interest will be charged on the total combined payment.
6		.7-.13 – Reserved				
7		.14 –Change in official or senior executive officer in credit unions that are newly chartered or are in troubled condition.	X		This section establishes parameters under which a newly chartered credit union or a troubled credit union must operate with regard to management decisions and operations.	At the option of the individual, the information may be forwarded to the Regional Director by the individual; however, in such cases, the credit union must file a notice to that effect. (iii) Processing. Within ten calendar days after receiving the notice, the Regional Director will inform the credit union either that the notice is complete or that additional, specified information is needed and must be submitted within 30 calendar days. If the initial notice is complete, the Regional Director will issue a written decision of approval or disapproval to the individual and the credit union within 30 calendar days of receipt of the notice. If the initial notice is not complete, the Regional Director will issue a written decision within 30 calendar days of receipt of the original notice plus the amount of time the credit union takes to provide the requested additional information. If the additional information is not submitted within 30 calendar days of the Regional Director's request, the Regional Director may either disapprove the proposed individual or review the notice based on the information provided. If the credit union and the individual have submitted all requested information and the Regional Director has not issued a written decision within the applicable time period, the individual is approved. (d) Commencement of Service. A proposed director, committee member, or senior executive officer may begin service after the end of the 30-day period or any other additional period as provided under paragraph (c)(3)(iii) of this section, unless the NCUA disapproves the notice before the end of the period. (e) Notice of Disapproval. NCUA may disapprove the individual's serving as a director, committee member or senior executive officer if it finds that the competence, experience, character, or integrity of the individual with respect to whom a notice under this section is submitted indicates that it would not be in the best interests of the members of the credit union or of the public to permit the individual to be employed by, or associated with, the credit union. The Notice of Disapproval will advise the parties of their rights of appeal pursuant to 12 CFR part 747 subpart J of NCUA's Regulations.
8		.15-.18 – Reserved				
9		.19 –Benefits for employees of federal credit unions.	X		This section allows a FCU to pay employees certain benefits as part of their employment with the FCU.	§ 701.19 Benefits for employees of federal credit unions. (a) General authority. A federal credit union may provide employee benefits, including retirement benefits, to its employees and officers who are compensated in conformance with the Act and the bylaws, individually or collectively with other credit unions. The kind and amount of these benefits must be reasonable given the federal credit union's size, financial condition, and the duties of the employees. (b) Plan trustees and custodians. Where a federal credit union is the benefit plan trustee or custodian, the plan must be authorized and maintained in accordance with the provisions of part 724 of this chapter. Where the benefit plan trustee or custodian is a party other than a federal credit union, the benefit plan must be maintained in accordance with applicable laws governing employee benefit plans, including any applicable rules and regulations issued by the Secretary of Labor, the Secretary of the Treasury, or any other federal or state authority exercising jurisdiction over the plan. (c) Investment authority. A federal credit union investing to fund an employee benefit plan obligation is not subject to the investment limitations of the Act and part 703 or, as applicable, part 704, of this chapter and may purchase an investment that would otherwise be impermissible if the investment is directly related to the federal credit union's obligation or potential obligation under the employee benefit plan and the federal credit union holds the investment only for as long as it has an actual or potential obligation under the employee benefit plan. (d) Defined benefit plans. Under paragraph (c) of this section, a federal credit union may invest to fund a defined benefit plan if the investment meets the conditions provided in that paragraph. If a federal credit union invests to fund a defined benefit plan that is not subject to the fiduciary responsibility provisions of part 4 of the Employee Retirement Income Security Act of 1974, it should diversify its investment portfolio to minimize the risk of large losses unless it is clearly prudent not to do so under the circumstances. (e) Liability insurance. No federal credit union may occupy the position of a fiduciary, as defined in the Employee Retirement Income Security Act of 1974 and the rules and regulations issued by the Secretary of Labor, unless it has obtained appropriate liability insurance as described and permitted by Section 410(b) of the Employee Retirement Income Security Act of 1974. (f) Definitions. For this section, defined benefit plan has the same meaning as in 29 U.S.C. 1002(35) and employee benefit plan has the same meaning as in 29 U.S.C. 1002(3).
11		.21 –Loans to members and lines of credit to members.	X		This section establishes the parameters for a FCU's overall lending program.	§ 701.21 Loans to members and lines of credit to members. (a) Statement of scope and purpose. Section 701.21 complements the provisions of section 107(5) of the Federal Credit Union Act (12 U.S.C. 1757(5)) authorizing Federal credit unions to make loans to members and issue lines of credit (including credit cards) to members. Section 107(5) of the Act contains limitations on matters such as loan maturity, rate of interest, security, and prepayment penalties. Section 701.21 interprets and implements those provisions. In addition, § 701.21 states the NCUA Board's intent concerning preemption of state laws, and expands the authority of Federal credit unions to enforce due-on-sale clauses in real property loans. Also, while § 701.21 generally applies to Federal credit unions only, its provisions may be used by state-chartered credit unions with respect to alternative mortgage transactions in accordance with 12 U.S.C. 3801 et seq., and certain provisions apply to loans made by federally insured state chartered credit unions as specified in § 741.203 of this chapter. Part 722 of this chapter sets forth requirements for appraisals for certain real estate-secured loans made under § 701.21 and any other applicable lending authority. Finally, it is noted that § 701.21 does not apply to loans by Federal credit unions to other credit unions (although certain statutory limitations in Section 107 of the Act apply), nor to loans to credit union organizations (which are governed by Section 107(5)(D) of the Act and part 712 of this chapter. (b) Relation to other laws—(1) Preemption of state laws. Section 701.21 is promulgated pursuant to the NCUA Board's exclusive authority as set forth in Section 107(5) of the Federal Credit Union Act (12 U.S.C. 1757(5)) to regulate the rates, terms of repayment and other conditions of Federal credit union loans and lines of credit (including credit cards) to members. This exercise of the Board's authority preempts any state law purporting to limit or affect: (i)(A) rates of interest and amounts of finance charges, including: (1) the frequency or the increments by which a variable interest rate may be changed; (2) the index to which a variable interest rate may be tied; (3) the manner or timing of notifying the borrower of

#	NCUA Regulation	Part	Insurance Regulatory Related	Non-Insurance and Consumer Regulatory Related	Description	Rule/Regulation
						a change in interest rate; (4) the authority to increase the interest rate on an existing balance; (B) late charges; and (C) closing costs, application, origination, or other fees; (ii) terms of repayment, including: (A) the maturity of loans and lines of credit; (B) the amount, uniformity, and frequency of payments, including the accrual of unpaid interest if payments are insufficient to pay all interest due; (C) balloon payments; and (D) prepayment limits; (iii) conditions related to: (A) the amount of the loan or line of credit; (B) the purpose of the loan or line of credit; (C) the type or amount of security and the relation of the value of the security to the amount of the loan or line of credit; (D) eligible borrowers; and (E) the imposition and enforcement of liens on the shares of borrowers and accommodation parties. (2) Matters not preempted. Except as provided by paragraph (b)(1) of this section, it is not the Board's intent to preempt state laws that do not affect rates, terms of repayment and other conditions described above concerning loans and lines of credit, for example: (i) insurance laws; (ii) laws related to transfer of and security interests in real and personal property (see, however, paragraph (g)(6) of this section concerning the use and exercise of due-on sale clauses); (iii) conditions related to: (A) collection costs and attorneys' fees; (B) requirements that consumer lending documents be in ''plain language;'' and (C) the circumstances in which a borrower may be declared in default and may cure default. (3) Other Federal law. Except as provided by paragraph (b)(1) of this section, it is not the Board's intent to pre-empt state laws affecting aspects of credit transactions that are primarily regulated by Federal law other than the Federal Credit Union Act, for example, state laws concerning credit cost disclosure requirements, credit discrimination, credit reporting practices, unfair credit practices, and debt collection practices. Applicability of state law in these instances should be determined pursuant to the pre-emption standards of the relevant Federal law and regulations. (4) Examination and enforcement. Except as otherwise agreed by the NCUA Board, the Board retains exclusive examination and administrative enforcement jurisdiction over Federal credit unions. Violations of Federal or applicable state laws related to the lending activities of a Federal credit union should be referred to the appropriate NCUA regional office. (5) Definition of State law. For purposes of paragraph (b) of this section, ''state law'' means the constitution, laws, regulations and judicial decisions of any state, the District of Columbia, the several territories and possessions of the United States, and the Commonwealth of Puerto Rico. (c) General rules—(1) Scope. The following general rules apply to all loans to members and, where indicated, all lines of credit (including credit cards) to members, except as otherwise provided in the remaining provisions of § 701.21. (2) Written policies. The board of directors of each Federal credit union shall establish written policies for loans and lines of credit consistent with the relevant provisions of the Act, NCUA's regulations, and other applicable laws and regulations. (3) Credit applications and overdrafts. Consistent with policies established by the board of directors, the credit committee or loan officer shall ensure that a credit application is kept on file for each borrower supporting the decision to make a loan or establish a line of credit. A credit union may advance money to a member to cover an account deficit without having a credit application from the borrower on file if the credit union has a written overdraft policy. The policy must: set a cap on the total dollar amount of all overdrafts the credit union will honor consistent with the credit union's ability to absorb losses; establish a time limit not to exceed forty-five calendar days for a member either to deposit funds or obtain an approved loan from the credit union to cover each overdraft; limit the dollar amount of overdrafts the credit union will honor per member; and establish the fee and interest rate, if any, the credit union will charge members for honoring overdrafts. (4) Maturity. The maturity of a loan to a member may not exceed 15 years. Lines of credit are not subject to a statutory or regulatory maturity limit. Amortization of line of credit balances and the type and amount of security on any line of credit shall be as determined by contract between the Federal credit union and the member/borrower. (5) Ten percent limit. No loan or line of credit advance may be made to any member if such loan or advance would cause that member to be indebted to the Federal credit union upon loans and advances made to the member in an aggregate amount exceeding 10% of the credit union's total unimpaired capital and surplus. In the case of member business loans as defined in § 723.1 of this chapter, additional limitations apply as set forth in §§ 723.8 and 723.9 of this chapter. (6) Early payment. A member may repay a loan, or outstanding balance on a line of credit, prior to maturity in whole or in part on any business day without penalty. (7) Loan interest rates– (i) General. Except when the Board establishes a higher maximum rate, federal credit unions may not extend credit to members at rates exceeding 15 percent per year on the unpaid balance inclusive of all finance charges. Federal credit unions may use variable rates of interest but only if the effective rate over the term of a loan or line of credit does not exceed the maximum permissible rate. (ii) Temporary rates. (A) At least every 18 months, the Board will determine if federal credit unions may extend credit to members at an interest rate exceeding 15 percent. After consultation with appropriate congressional committees, the Department of Treasury, and other federal financial institution regulatory agencies, the Board may establish a rate exceeding the 15 percent per year rate, if it determines money market interest rates have risen over the preceding six-month period and prevailing interest rate levels threaten the safety and soundness of individual federal credit unions as evidenced by adverse trends in liquidity, capital, earnings, and growth. (B) When the Board establishes a higher maximum rate, the Board will provide notice to federal credit unions of the adjusted rate by issuing a Letter to Federal Credit Unions, as well as providing information in other NCUA publications and in a statement for the press. (C) Federal credit unions may continue to charge rates exceeding the established maximum rate only on existing loans or lines of credit made before the effective date of any lowering of the maximum rate. (8)(i) Except as otherwise provided herein, no official or employee of a Federal credit union, or immediate family member of an official or employee of a Federal credit union, may receive, directly or indirectly, any commission, fee, or other compensation in connection with any loan made by the credit union. (ii) For the purposes of this section: Compensation includes non-monetary items, except those of nominal value. Immediate family member means a spouse or other family member living in the same household. Loan includes line of credit. Official means any member of the board of directors or a volunteer committee. Person means an individual or an organization. Senior management employee means the credit union's chief executive officer (typically, this individual holds the title of President or Treasurer/Manager), any assistant chief executive officers (e.g., Assistant President, Vice President, or Assistant Treasurer/Manager), and the chief financial officer (Comptroller). Volunteer official means an official of a credit union who does not receive compensation from the credit union solely for his or her service as an official. (iii) This section does not prohibit: (A) Payment, by a Federal credit union, of salary to employees; (B) Payment, by a Federal credit union, of an incentive or bonus to an employee based on the credit union's overall financial performance; (C) Payment, by a Federal credit union, of an incentive or bonus to an employee, other than a senior management employee, in connection with a loan or loans made by the credit union, provided that the board of directors of the credit union establishes written policies and internal controls in connection with such incentive or bonus and monitors compliance with such policies and controls at least annually. (D) Receipt of compensation from a person outside a Federal credit union by a volunteer official or non-senior management employee of the credit union, or an immediate family member of a volunteer official or employee of the credit union, for a service or activity performed outside the credit union, provided that no referral has been made by the credit union or the official, employee, or family member. (d) Loans and lines of credit to officials—(1) Purpose. Sections 107(5)(A)(iv), (v) of the Act require the approval of the board of directors of the Federal credit union in any case where the aggregate of loans to an official and loans on which that official serves as endorser or guarantor exceeds $20,000 plus pledged shares. This paragraph implements the requirement by establishing procedures for determining whether board of directors' approval is required. The section also prohibits preferential treatment of officials. (2) Official. An ''official'' is any member of the board of directors, credit committee or supervisory committee. (3) Initial approval. All applications for loans or lines of credit on which an official will be either a direct obligor or an endorser, cosigner or guarantor shall be initially acted upon by either the board of directors, the credit committee or loan officer, as specified in the Federal credit union's bylaws. (4) Board of Directors' review. The board of directors shall, in any case, review and approve or deny an application on which an official is a direct obligor, endorser, cosigner or guarantor if the following computation produces a total in excess of $20,000: (i) Add: (A) The amount of the current application. (B) The outstanding balances of loans including the used portion of an approved line of credit, extended to or endorsed, cosigned or guaranteed by the official. (C) The total unused portion of approved lines of credit extended to or endorsed, cosigned or guaranteed by the official. (ii) From the above total subtract: (A) The amount of shares pledged by the official on loans or lines of credit extended to or endorsed, cosigned or guaranteed by the official. (B) The amount of shares to be pledged by the official on the loan or line of credit applied for. (5)

#	NCUA Regulation	Part	Insurance Regulatory Related	Non-Insurance and Consumer Regulatory Related	Description	Rule/Regulation
						Nonpreferential treatment. The rates, terms and conditions on any loan or line of credit either made to, or endorsed or guaranteed by— (i) an official, (ii) an immediate family member of an official, or (iii) any individual having a common ownership, investment or other pecuniary interest in a business enterprise with an official or with an immediate family member of an official shall not be more favorable than the rates, terms and conditions for comparable loans or lines of credit to other credit union members. ‘‘Immediate family members’’ means a spouse or other family member living in the same household. (e) Insured, Guaranteed and Advance Commitment Loans. A loan secured, in full or in part, by the insurance or guarantee of, or with an advance commitment to purchase the loan, in full or in part, by the Federal Government, a State government or any agency of either, may be made for the maturity and under the terms and conditions, including rate of interest, specified in the law, regulations or program under which the insurance, guarantee or commitment is provided. (f) 20-Year Loans. (1) Notwithstanding the general 15- year maturity limit on loans to members, a Federal credit union may make loans with maturities of up to 20 years in the case of: (i) a loan to finance the purchase of a mobile home if the mobile home will be used as the member-borrower’s residence and the loan is secured by a first lien on the mobile home, and the mobile home meets the requirements for the home mortgage interest deduction under the Internal Revenue Code, (ii) a second mortgage loan (or a non-purchase money first mortgage loan in the case of a residence on which there is no existing first mortgage) if the loan is secured by a residential dwelling which is the residence of the member-borrower, and (iii) a loan to finance the repair, alteration, or improvement of a residential dwelling which is the residence of the member-borrower. (2) For purposes of this paragraph (f), mobile home may include a recreational vehicle, house trailer or boat. (3) Notwithstanding the general 20-year maturity limit on second mortgage loans, a federal credit union participating in the Department of the Treasury’s Making Home Affordable Program may extend the term of a modified second mortgage to match the term of a modified first mortgage, in accordance with applicable program guidelines. (g) Long-Term Mortgage Loans. (1) Authority. A federal credit union may make residential real estate loans to members, including loans secured by manufactured homes permanently affixed to the land, with maturities of up to 40 years, or such longer period as may be permitted by the NCUA Board on a case-by-case basis, subject to the conditions of this paragraph (g). (2) Statutory limits. The loan shall be made on a one to four family dwelling that is or will be the principal residence of the member-borrower and the loan shall be secured by a perfected first lien in favor of the credit union on such dwelling (or a perfected first security interest in the case of either a residential cooperative or a leasehold or ground rent estate). (3) Loan application. The loan application shall be a completed standard Federal Housing Administration, Veterans Administration, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association or Federal Home Loan Mortgage Corporation/Federal National Mortgage Association application form. In lieu of use of a standard application the Federal credit union may have a current attorney’s opinion on file stating that the forms in use meet the requirements of applicable Federal, state and local laws. The term also excludes any servicing entity that meets the following three requirements: (A) Has a majority of its voting interests owned by federally-insured credit unions; (B) Includes in its servicing agreements with credit unions a provision that the servicer will provide NCUA with complete access to its books and records and the ability to review its internal controls as deemed necessary by NCUA in carrying out NCUA’s responsibilities under the Act; and (C) Has its credit union clients provide a copy of the servicing agreement to their regional directors. (ii) The term “its affiliates,” as it relates to the third party servicer, means any entities that: (A) Control, are controlled by, or are under common control with, that third-party servicer; or (B) Are under contract with that third-party servicer or other entity described in paragraph (h)(4)(ii)(A) of this section. (iii) The term “vehicle loan” means any installment vehicle sales contract or its equivalent that is reported as an asset under generally accepted accounting principles. The term does not include: (A) Loans made directly by a credit union to a member, or (B) Loans in which neither the third-party servicer nor any of its affiliates are involved in the origination, underwriting, or insuring of the loan or the process by which the credit union acquires its interest in the loan. (iv) The term “net worth” means the retained earnings balance of the credit union at quarter end as determined under generally accepted accounting principles. For low income-designated credit unions, net worth also includes secondary capital accounts that are uninsured and subordinate to all other claims, including claims of creditors, shareholders, and the National Credit Union Share Insurance Fund. (i) Put Option Purchases in Managing Increased Interest-Rate Risk for Real Estate Loans Produced for Sale on the Secondary Market. (1) Definitions. For purposes of §701.21(i)— (i) Financial options contract means an agreement to make or take delivery of a standardized financial instrument upon demand by the holder of the contract at any time prior to the expiration date specified in the agreement, under terms and conditions established either by: (A) a contract market designated for trading such contracts by the Commodity Futures Trading Commission, or (B) by a Federal credit union and a primary dealer in Government securities that are counterparties in an over the- counter transaction. (ii) FHLMC security means obligations or other securities which are or ever have been sold by the Federal Home Loan Mortgage Corporation pursuant to Sections 305 or 306 of the Federal Home Loan Mortgage Corporation Act (12 U.S.C. §§ 1454 and 1455). (iii) FNMA security means an obligation, participation, or any instrument of or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association. (iv) GNMA security means an obligation, participation, or any instrument of or issued by, or fully guaranteed as to principal and interest by, the Government National Mortgage Association. (v) Long position means the holding of a financial options contract with the option to make or take delivery of a financial instrument. (vi) Primary dealer in Government securities means: (A) a member of the Association of Primary Dealers in United States Government Securities; or (B) any parent, subsidiary, or affiliated entity of such primary dealer where the member guarantees (to the satisfaction of the FCU’s board of directors) over-the counter sales of financial options contracts by the parent, subsidiary, or affiliated entity to a Federal credit union. (vii) Put means a financial options contract which entitles the holder to sell, entirely at the holder’s option, a specified quantity of a security at a specified price at any time until the stated expiration date of the contract. (2) Permitted Options Transactions. A Federal credit union may, to manage risk of loss through a decrease in value of its commitments to originate real estate loans at specified interest rates, enter into long put positions on GNMA, FNMA, and FHLMC securities: (i) if the real estate loans are to be sold on the secondary market within ninety (90) days of closing; (ii) if the positions are entered into: (A) through a contract market designated by the Commodity Futures Trading Commission for trading such contracts, or (B) with a primary dealer in Government securities; (iii) if the positions are entered into pursuant to written policies and procedures which are approved by the Federal credit union’s board of directors, and include, at a minimum: (A) the Federal credit union’s strategy in using financial options contracts and its analysis of how the strategy will reduce sensitivity to changes in price or interest rates in its commitments to originate real estate loans at specified interest rates; (B) a list of brokers or other intermediaries through which positions may be entered into; (C) quantitative limits (e.g., position and stop loss limits) on the use of financial options contracts; (D) identification of the persons involved in financial options contract transactions, including a description of these persons’ qualifications, duties, and limits of authority, and description of the procedures for segregating these persons’ duties, (E) a requirement for written reports for review by the Federal credit union’s board of directors at its monthly meetings, or by a committee appointed by the board on a monthly basis, of: (1) the type, amount, expiration date, correlation, cost of, and current or projected income or loss from each position closed since the last board review, each position currently open and current gains or losses from such positions, and each position planned to be entered into prior to the next board review; (2) compliance with limits established on the policies and procedures; and (3) the extent to which the positions described contributed to reduction of sensitivity to changes in prices or interest rates in the Federal credit union’s commitments to originate real estate loans at a specified interest rate; and (iv) if the Federal credit union has received written permission from the appropriate NCUA Regional Director to engage in financial options contracts transactions in accordance with this § 701.21(i) and its policies and procedures as written. (3) Recordkeeping and Reporting. (i) The reports described in § 01.21(i)(2)(iii)(E) for each month must be submitted to the appropriate NCUA Regional Office by the end of the following month. This monthly reporting requirement may be waived by the appropriate NCUA Regional Director on a case-by case basis for those Federal credit unions with a proven record of responsible use of permitted financial options contracts. (ii) The records described in § 701.21(i)(2)(iii)(E) must be retained for two years from the date the financial options contracts are closed. (4) Accounting. A federal credit union must account for financial options contracts transactions in accordance with generally accepted accounting principles.

#	NCUA Regulation	Part	Insurance Regulatory Related	Non-Insurance and Consumer Regulatory Related	Description	Rule/Regulation
12		.22 –Loan participation.	X		This section establishes the ability of an FCU to enter into loan participation agreements, and establishes limitations and parameters under which an FCU can do so.	§ 701.22 Loan participation. (a) For purposes of this section: (1) Participation loan means a loan where one or more eligible organizations participates pursuant to a written agreement with the originating lender. (2) Eligible organizations means a credit union, credit union organization, or financial organization. (3) Credit union means any Federal or state chartered credit union. (4) Credit union organization means any credit union service organization meeting the requirements of part 712 of this chapter. This term does not include trade associations or membership organizations principally composed of credit unions. (5) Financial organization means any federally chartered or federally insured financial institution; and any state or federal government agency and their subdivisions. (6) Originating lender means the participant with which the member contracts. (b) Subject to the provisions of this section any Federal credit union may participate in making loans with eligible organizations within the limitations of the board of directors' written participation loan policies, Provided: (1) no Federal credit union shall obtain an interest in a participation loan if the sum of that interest and any (other) indebtedness owing to the Federal credit union by the borrower exceeds 10 per centum of the Federal credit union's unimpaired capital and surplus; (2) a written master participation agreement shall be properly executed, acted upon by the Federal credit union's board of directors, or if the board has so delegated in its policy, the investment committee or senior management official(s) and retained in the Federal credit union's office. The master agreement shall include provisions for identifying, either through a document which is incorporated by reference into the master agreement, or directly in the master agreement, the participation loan or loans prior to their sale; and (3) a Federal credit union may sell to or purchase from any participant the servicing of any loan in which it owns a participation interest. (c) An originating lender which is a Federal credit union shall: (1) originate loans only to its members; (2) retain an interest of at least 10 per centum of the face amount of each loan; (3) retain the original or copies of the loan documents; and (4) Require the credit committee or loan officer to use the same underwriting standards for participation loans used for loans that are not being sold in a participation agreement unless there is a participation agreement in place prior to the disbursement of the loan. Where a participation agreement is in place prior to disbursement, either the credit union's loan policies or the participation agreement shall address any variance from non-participation loan underwriting standards. (d) A participant Federal credit union that is not an originating lender shall: (1) participate only in loans it is empowered to grant, having a participation policy in place which sets forth the loan underwriting standards prior to entering into a participation agreement; (2) participate in participation loans only if made to its own members or members of another participating credit union; (3) retain the original or a copy of the written participation loan agreement and a schedule of the loans covered by the agreement; and (4) obtain the approval of the board of directors or investment committee of the disbursement of proceeds to the originating lender.
13		.23-Purchase, sale, and pledge of eligible obligations.	X		This section of the regulation establishes the ability of an FCU to purchase, sell, or pledge eligible obligations (loans) of the FCU.	§ 701.23 Purchase, sale, and pledge of eligible obligations. (a) For purposes of this Section: (1) Eligible obligation means a loan or group of loans. (2) Student loan means a loan granted to finance the borrower's attendance at an institution of higher education or at a vocational school, which is secured by and on which payment of the outstanding principal and interest has been deferred in accordance with the insurance or guarantee of the Federal Government, of a State government, or any agency of either. (b) Purchase. (1) A Federal credit union may purchase, in whole or in part, within the limitations of the board of directors' written purchase policies: (i) Eligible obligations of its members, from any source, if either: (A) they are loans it is empowered to grant or (B) they are refinanced with the consent of the borrowers, within 60 days after they are purchased, so that they are loans it is empowered to grant; (ii) Eligible obligations of a liquidating credit union's individual members, from the liquidating credit union; (iii) Student loans, from any source, if the purchaser is granting student loans on an ongoing basis and if the purchase will facilitate the purchasing credit union's packaging of a pool of such loans to be sold or pledged on the secondary market; and (iv) Real estate-secured loans, from any source, if the purchaser is granting real estate-secured loans pursuant to § 701.21 on an ongoing basis and if the purchase will facilitate the purchasing credit union's packaging of a pool of such loans to be sold or pledged on the secondary mortgage market. A pool must include a substantial portion of the credit union's members' loans and must be sold promptly. (2) A Federal credit union may make purchases in accordance with this paragraph (b), provided: (i) the board of directors or investment committee approves the purchase; (ii) a written agreement and a schedule of the eligible obligations covered by the agreement are retained in the purchaser's office; and (iii) for purchases under paragraph (b)(1)(ii) of this section, any advance written approval required by § 741.8 of this chapter is obtained before consummation of such purchase. (3) The aggregate of the unpaid balance of eligible obligations purchased under paragraph (b) of this section shall not exceed 5% of the unimpaired capital and surplus of the purchaser. The following can be excluded in calculating this 5% limitation: (i) Student loans purchased in accordance with paragraph (b)(1)(iii) of this section; (ii) Real estate loans purchased in accordance with paragraph (b)(1)(iv) of this section; (iii) Eligible obligations purchased in accordance with paragraph (b)(1)(i) of this section that are refinanced by the purchaser so that it is a loan it is empowered to grant; and (iv) An indirect lending or indirect leasing arrangement that is classified as a loan and not the purchase of an eligible obligation because the federal credit union makes the final underwriting decision and the sales or lease contract is assigned to the federal credit union very soon after it is signed by the member and the dealer or leasing company. (c) Sale. A Federal credit union may sell, in whole or in part, to any source, eligible obligations of its members, eligible obligations purchased in accordance with subsection (b)(1)(ii), student loans purchased in accordance with subsection (b)(1)(iii), and real estate loans purchased in accordance with subsection (b)(1)(iv), within the limitations of the board of directors' written sale policies, Provided: (1) The board of directors or investment committee approves the sale; and (2) A written agreement and a schedule of the eligible obligations covered by the agreement are retained in the seller's office. (d) Pledge. (1) A Federal credit union may pledge, in whole or in part, to any source, eligible obligations of its members, eligible obligations purchased in accordance with paragraph (b)(1)(ii) of this section, student loans purchased in accordance with paragraph (b)(1)(iii) of this section, and real estate loans purchased in accordance with paragraph (b)(1)(iv) of this section, within the limitations of the board of directors' written pledge policies, Provided: (i) The board of directors or investment committee approves the pledge; (ii) Copies of the original loan documents are retained; and (iii) A written agreement covering the pledging arrangement is retained in the office of the credit union that pledges the eligible obligations. (2) The pledge agreement shall identify the eligible obligations covered by the agreement. (e) Servicing. A Federal credit union may agree to service any eligible obligation it purchases or sells in whole or in part. (f) 10 Percent Limitation. The total indebtedness owing to any Federal credit union by any person, inclusive of retained and reacquired interests, shall not exceed 10 percent of its unimpaired capital and surplus. (g) (1) Conflicts of interest. No federal credit union official, employee, or their immediate family member may receive, directly or indirectly, any compensation in connection with that credit union's purchase, sale, or pledge of an eligible obligation under the provisions of §701.23. (2) Permissible payments. This section does not prohibit: (i) A federal credit union's payment of salary to employees; (ii) A federal credit union's payment of an incentive or bonus to an employee based on the credit union's overall financial performance; (iii) A federal credit union's payment of an incentive or bonus to an employee, other than a senior management employee, in connection with that credit union's purchase, sale or pledge of an eligible obligation. This payment is permissible if the board of directors establishes a written policy and internal controls for the incentive or bonus program and monitors compliance with the policy and controls at least annually; and (iv) Payment by a person other than the federal credit union of compensation to a volunteer official, non-senior management employee, or their immediate family member, for a service or activity performed outside the credit union provided that the federal credit union, the official, employee, or their immediate family member has not made a referral. (3) Business associates and family members. All transactions under this section with business associates or family members not specifically prohibited by paragraph (g)(1) of this section must be conducted at arm's length and in the interest of the federal credit union. (4) Definitions. The definitions in §701.21(c)(8)(ii) of this part apply to this section.
14		.24 –Refund of interest.	X		This section of the regulations authorizes an FCU to refund interest to	§ 701.24 Refund of interest.(a) The board of directors of a Federal credit union may authorize an interest refund to members who paid interest to the credit union during any dividend period and who are members of record at the close of business on the last day of such dividend period. Interest refunds may be made for a dividend period only if dividends on share accounts have been declared and paid for that period. (b) The amount of interest refund to each member shall be determined as a percentage of the interest paid by the member. Such percentage may vary

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					members under certain conditions.	according to the type of extension of credit and the interest rate charged. (c) The board of directors may exclude from an interest refund: (1) a particular type of extension of credit; (2) any extension of credit made at a particular interest rate; and (3) any extension of credit that is presently delinquent or has been delinquent within the period for which the refund is being made.
15		.25 –Charitable contributions and donations	X		This sections grants authority of an FCU to make charitable contributions.	§ 701.25 Charitable contributions and donations. (a) A federal credit union may make charitable contributions and/or donate funds to recipients not organized for profit that are located in or conduct activities in a community in which the federal credit union has a place of business or to organizations that are tax exempt organizations under Section 501(c)(3) of the Internal Revenue Code and operate primarily to promote and develop credit unions. (b) The board of directors must approve charitable contributions and/or donations, and the approval must be based on a determination by the board of directors that the contributions and/or donations are in the best interests of the federal credit union and are reasonable given the size and financial condition of the federal credit union. The board of directors, if it chooses, may establish a budget for charitable contributions and/or donations and authorize appropriate officials of the federal credit union to select recipients and disburse budgeted funds among those recipients.
16		.26 –Credit union service contracts.	X		This sections grants authority for an FCU to enter into service contracts with other FCUs.	§ 701.26 Credit union service contracts. A Federal credit union may act as a representative of and enter into a contractual agreement with one or more credit unions or other organizations for the purpose of sharing, utilizing, renting, leasing, purchasing, selling, and/or joint ownership of fixed assets or engaging in activities and/ or services which relate to the daily operations of credit unions. Agreements must be in writing, and shall advise all parties subject to the agreement that the goods and services provided shall be subject to examination by the NCUA Board to the extent permitted by law.
17		.27-.29 – Reserved				
18		.30 –Services for nonmembers within the field of membership	X		This section grants authority to FCUs to provide limited services to non-members within their field of membership.	§ 701.30 Services for nonmembers within the field of membership Federal credit unions may provide the following services to persons within their fields of membership, regardless of membership status: (a) Selling negotiable checks including travelers checks, money orders, and other similar money transfer instruments (including international and domestic electronic fund transfers); and (b) Cashing checks and money orders and receiving international and domestic electronic fund transfers for a fee.
19		.31-Nondiscrimination requirements.		X	This section prohibits an FCU from discriminating against a person or group of persons and establishes parameters under which it must operate to ensure non-discrimination and notify others of its non-discrimination policies.	§ 701.31 Nondiscrimination requirements. (a) Definitions. As used in this part, the term: (1) Application carries the meaning of that term as defined in 12 CFR 202.2(f) (Regulation B), which is as follows: An oral or written request for an extension of credit that is made in accordance with procedures established by a creditor for the type of credit requested; (2) Dwelling carries the meaning of that term as defined in 42 U.S.C. 3602(b) (Fair Housing Act), which is as follows: ‘‘Any building, structure, or portion thereof which is occupied as, or designed or intended for occupancy as, a residence by one or more families, and any vacant land which is offered for sale or lease for the construction or location thereon of any building, structure, or portion thereof;’’ and (3) Real estate-related loan means any loan for which application is made to finance or refinance the purchase, construction, improvement, repair, or maintenance of a dwelling.(b) Nondiscrimination in lending. (1) A Federal credit union may not deny a real estate-related loan, nor may it discriminate in setting or exercising its rights pursuant to the terms or conditions of such a loan, nor may it discourage an application for such a loan, on the basis of the race, color, national origin, religion, sex, handicap, or familial status (having children under the age of 18) of: (i) any applicant or joint applicant; (ii) any person associated, in connection with a real estate-related loan application, with an applicant or joint applicant; (iii) the present or prospective owners, lessees, tenants, or occupants of the dwelling for which a real estate-related loan is requested; (iv) the present or prospective owners, lessees, tenants, or occupants of other dwellings in the vicinity of the dwelling for which a real estate-related loan is requested. (2) With regard to a real estate-related loan, a Federal credit union may not consider a lending criterion or exercise a lending policy which has the effect of discriminating on the basis of race, color, national origin, religion, sex, handicap, or familial status (having children under the age of 18). Guidelines concerning possible exceptions to this provision appear in paragraph (e)(1) of this section public area of each office where such loans are made and must be clearly visible to the general public. The notice must incorporate either a facsimile of the logotype and language appearing in paragraph (d)(3) of this section or the logotype and language appearing at 24 CFR 110.25(a). Posters containing the logotype and language appearing in paragraph (d)(3) of this section may be obtained from the regional offices of the National Credit Union Administration. (3) Logotype and notice of non-discrimination compliance. The logotype and text of the notice required in paragraph (d)(2) of this section shall be as follows: We Do Business in Accordance With the Federal Fair Lending Laws UNDER THE FEDERAL FAIR HOUSING ACT, IT IS ILLEGAL, ON THE BASIS OF RACE, COLOR, NATIONAL ORIGIN, RELIGION, SEX, HANDICAP, OR FAMILIAL STATUS (HAVING CHILDREN UNDER THE AGE OF 18), TO: • Deny a loan for the purpose of purchasing, constructing, improving, repairing or maintaining a dwelling, or deny any loan secured by a dwelling; or • Discriminate in fixing the amount, interest rate, duration, application procedures or other terms or conditions of such a loan, or in appraising property. IF YOU BELIEVE YOU HAVE BEEN DISCRIMINATED AGAINST, YOU SHOULD SEND A COMPLAINT TO: Assistant Secretary for Fair Housing and Equal Opportunity Department of Housing & Urban Development Washington, D.C. 20410 For processing under the Federal Fair Housing Act and to: National Credit Union Administration Office of Examination and Insurance 1775 Duke Street Alexandria, VA 22314–3428 For processing under NCUA Regulations ********** UNDER THE EQUAL CREDIT OPPORTUNITY ACT, IT IS ILLEGAL TO DISCRIMINATE IN ANY CREDIT TRANSACTION: • On the basis of race, color, national origin, religion, sex, marital status, or age, • Because income is from public assistance, or • Because a right was exercised under the Consumer Credit Protection Act. IF YOU BELIEVE YOU HAVE BEEN DISCRIMINATED AGAINST, YOU SHOULD SEND A COMPLAINT TO: National Credit Union Administration Office of Examination and Insurance 1775 Duke Street Alexandria, VA 22314–3428 (e) Guidelines. (1) Compliance with the Fair Housing Act is achieved when each loan applicant’s credit worthiness is evaluated on an individual basis, without presuming that the applicant has certain characteristics of a group. If certain lending policies or procedures do presume group characteristics, they may violate the Fair Housing Act, even though the characteristics are not based upon race, color, sex, national origin, religion, handicap, or familial status. Such a violation occurs when otherwise facially nondiscriminatory lending procedures (either general lending policies or specific criteria used in reviewing loan applications) have the effect of making real estate-related loans unavailable or less available on the basis of race, color, sex, national origin, religion, handicap, or familial status. Note, however, that a policy or criterion which has a discriminatory effect is not a violation of the Fair Housing Act if its use achieves a legitimate business necessity which cannot be achieved by using less discriminatory standards. It is also important to note that the Equal Credit Opportunity Act and Regulation B prohibit discrimination, either per se or in effect, on the basis of the applicant’s age, marital status, receipt of public assistance, or the exercise of any rights under the Consumer Credit Protection Act. (2) Paragraph (b)(3) of this section prohibits consideration of certain factors because of their likely discriminatory effect and because they are not necessary to make sound real estate-related loans. For purposes of clarification, the prohibited use of location factors in this section is intended to prevent abandonment of areas in which a Federal credit union’s members live or want to live. It is not intended to require loans in those areas that are geographically remote from the FCU’s main or branch offices or that contravene the parameters of a Federal credit union’s charter. Further, this prohibition does not

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						preclude requiring a borrower to obtain flood insurance protection pursuant to the National Flood Insurance Act and part 760 of NCUA's Rules and Regulations, nor does it preclude involvement with Federal or state housing insurance programs which provide for lower interest rates for the purchase of homes in certain urban or rural areas. Also, the legitimate use of location factors in an appraisal does not constitute a violation of the provision of paragraph (b)(3) of this section, which prohibits consideration of location of the dwelling. Finally, the prohibited use of prior home ownership does not preclude a Federal credit union from considering an applicant's payment history on a loan which was made to obtain a home. Such action entails consideration of the payment record on a previous loan in determining creditworthiness; it does not entail consideration of prior home ownership.(3)(i) Paragraph (c)(3) of this section prohibits consideration of the age or location of a dwelling in a real estate-related loan appraisal. These restrictions are intended to prohibit the use of unfounded or unsubstantiated assumptions regarding the effect upon loan risk of the age of a dwelling or the physical or economic characteristics of an area. Appraisals should be based on the present market value of the property offered as security (including consideration of specific improvements to be made by the borrower) and the likelihood that the property will retain an adequate value over the term of the loan. (ii) The term ''age of the dwelling'' does not encompass structural soundness. In addition, the age of the dwelling may be used by an appraiser as a basis for conducting further inspections of certain structural aspects of the dwelling. Paragraph (c)(3) of this section does, however, prohibit an unsubstantiated determination that a house over X years in age is not structurally sound. (iii) With respect to location factors, paragraph (c) (4) of this section recognizes that there may be location factors which may be considered in an appraisal, and requires that the use of any such factors be specifically documented in the appraisal. These factors will most often be those location factors which may negatively affect the short range future value (up to 3–5 years) of a property. Factors which in some cases may cause the market value of a property to decline are recent zoning changes or a significant number of abandoned homes in the immediate vicinity of the property. However, not all zoning changes will cause a decline in property values, and proximity to abandoned buildings may not affect the market value of a property because the cause of abandonment is unrelated to high risk. Proper considerations include the condition and utility of the improvement and various physical factors such as street conditions, amenities such as parks and recreation areas, availability of public utilities and municipal services and exposure to flooding and land faults.
20		.32 –Payment on shares by public units and nonmembers.	X		This section grants permission to FCUs to receive payments on shares from public units.	§ 701.32 Payment on shares by public units and nonmembers. (a) Authority. A Federal credit union may, to the extent permitted under Section 107(6) of the Act and this section, receive payments on shares, (regular shares, share certificates, and share draft accounts) from public units and political subdivisions thereof (as those terms are defined in § 745.1) and nonmember credit unions, and to the extent permitted under the Act, this section and §701.34, receive payments on shares (regular shares, share certificates, and share draft accounts) from other nonmembers. (b) Limitations. (1) Unless a greater amount has been approved by the Regional Director, the maximum amount of all public unit and nonmember shares shall not, at any given time, exceed 20% of the total shares of the federal credit union or $1.5 million, whichever is greater. (2) Before accepting any public unit or non-member shares in excess of 20% of total shares, the board of directors must adopt a specific written plan concerning the intended use of these shares and forward a copy of the plan to the Regional Director. The plan must include: (i) A statement of the credit union's needs, sources and intended uses of public unit and nonmember shares; (ii) Provision for matching maturities of public unit and nonmember shares with corresponding assets, or justification for any mismatch; and (iii) Provision for adequate income spread between public unit and nonmember shares and corresponding assets. (3) A federal credit union seeking an exemption from the limits of paragraph (b)(1) of this section must submit to the Regional Director a written request including: (i) The new maximum level of public unit and non-member shares requested, either as a dollar amount or a percentage of total shares; (ii) The current plan adopted by the credit union's board of directors concerning the use of new public unit and nonmember shares; (iii) A copy of the credit union's latest financial statement; and (iv) A copy of the credit union's loan and investment policies. (4) Where the financial condition and management of the credit union are sound and the credit union's plan for the funds is reasonable, there will be a presumption in favor of granting the request. When granted, exemptions will normally be for a two-year period. The Regional Director will provide a written explanation for an exemption that is granted for a lesser time period. (5) The Regional Director will provide a written determination on an exemption request within 30 calendar days after receipt of the request. The 30-day period will not begin to run until all necessary information has been submitted to the Regional Director. All denials may be appealed to the NCUA Board in a timely manner. Appeals should be submitted through the Regional Director. (6) Upon expiration of an exemption, non-member shares currently in the credit union in excess of the limits established pursuant to (b)(1) of this section will continue to be insured by the National Credit Union Insurance Fund within applicable limits. No new shares in excess of the limits established pursuant to (b)(1) of this section shall be accepted. Existing share certificates in excess of the limits established pursuant to (b)(1) of this section may remain in the credit union only until maturity. (c) The limitations herein do not apply to accounts maintained in accordance with § 701.37 (Treasury Tax and Loan Depositaries; Depositaries and Financial Agents of the Government) and matching funds required by § 705.7(b) (Community Development Revolving Loan Program for Credit Unions). Once a loan granted pursuant to part 705 is repaid, nonmember share deposits accepted to meet the matching requirement are subject to this section.
21		.33 – Reimbursement, insurance, and indemnification of officials and employees.	X		This section establishes the parameters under which an FCU may compensate officials, and volunteers.	§ 701.33 Reimbursement, insurance, and indemnification of officials and employees. (a) Official. An official is a person who is or was a member of the board of directors, credit committee or supervisory committee, or other volunteer committee established by the board of directors. (b) Compensation. (1) Only one board officer, if any, may be compensated as an officer of the board. The bylaws must specify the officer to be compensated, if any, as well as the specific duties of each of the board officers. No other official may receive compensation for performing the duties or responsibilities of the board or committee position to which the person has been elected or appointed. (2) For purposes of this section, the term compensation specifically excludes: (i) payment (by reimbursement to an official or direct credit union payment to a third party) for reasonable and proper costs incurred by an official in carrying out the responsibilities of the position to which that person has been elected or appointed, if the payment is determined by the board of directors to be necessary or appropriate in order to carry out the official business of the credit union, and is in accordance with written policies and procedures, including documentation requirements, established by the board of directors. Such payments may include the payment of travel costs for officials and one guest per official; (ii) provision of reasonable health, accident and related types of personal insurance protection, supplied for officials at the expense of the credit union: Provided, that such insurance protection must exclude life insurance; must be limited to areas of risk, including accidental death and dismemberment, to which the official is exposed by reason of carrying out the duties or responsibilities of the official's credit union position; must cease immediately upon the insured person's leaving office, without providing residual benefits other than from pending claims, if any, except that a credit union must comply with federal and state laws metropolitan area where they live or national metropolitan area, whichever is greater. A regional director may use total median earnings for individuals instead of median family income if it is more beneficial to a federal credit union when determining if the credit union qualifies for a low-income credit union designation. A regional director will use the statewide or national, non-metropolitan area median family income instead of the metropolitan area or national metropolitan area median family income for members living outside a metropolitan area. Member earnings will be estimated based on data reported by the U.S. Census Bureau for the geographic area where the member lives. The term "low-income members" also includes those members enrolled as students in a college, university, high school, or vocational school. (3) Federal credit unions that do not receive notification that they qualify for a low-income credit union designation but believe they qualify may submit information to the regional director to demonstrate they qualify for a low income credit union designation. For example, federal credit unions may provide actual member income from loan applications or surveys to demonstrate a majority of their membership is low-income members. (4) If the regional director determines a low-income

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						designated federal credit union no longer meets the criteria for the designation, the regional director will notify the federal credit union in writing, and the federal credit union must, within five years, meet the criteria for the designation or come into compliance with the regulatory requirements applicable to federal credit unions that do not have a low-income designation. The designation will remain in effect during the five-year period. If a federal credit union does not re-qualify and has secondary capital or nonmember deposit accounts with a maturity beyond the five-year period, a regional director may extend the time for a federal credit union to come into compliance with regulatory requirements to allow the federal credit union to satisfy the terms of any account agreements. A federal credit union may appeal a regional director's determination that the credit union no longer meets the criteria for a low income designation to the Board within 60 days of the date of the notice from the regional director. An appeal must be submitted through the regional director. (5) Any credit union with a low-income credit union designation on January 1, 2009 will have five years from that date to meet the criteria for low-income designation under paragraph (a)(1) of this section, unless the regional director determines a longer time is required to allow the low-income credit union to satisfy the terms of a secondary capital or nonmember deposit account agreement. (6) Definitions. The following definitions apply to this section: Median family income and total median earnings for individuals are income statistics reported by the U.S. providing departing officials the right to maintain health insurance coverage at their own expense; and (iii) indemnification and related insurance consistent with paragraph (c) of this section. (c) Indemnification. (1) A Federal credit union may indemnify its officials and current and former employees for expenses reasonably incurred in connection with judicial or administrative proceedings to which they are or may become parties by reason of the performance of their official duties. (2) Indemnification shall be consistent either with the standards applicable to credit unions generally in the state in which the principal or home office of the credit union is located, or with the relevant provisions of the Model Business Corporation Act. A Federal credit union that elects to provide indemnification shall specify whether it will follow the relevant state law or the Model Business Corporation Act. Indemnification and the method of indemnification may be provided for by charter or bylaw amendment, contract or board resolution, consistent with the procedural requirements of the applicable state law or the Model Business Corporation Act, as specified. A charter or bylaw amendment must be approved by the National Credit Union Administration. (3) A Federal credit union may purchase and maintain insurance on behalf of its officials and employees against any liability asserted against them and expenses incurred by them in their official capacities and arising out of the performance of their official duties to the extent such insurance is permitted by the applicable state law or the Model Business Corporation Act. (4) Notwithstanding paragraph (c) (1) through (3) of this section, a federal credit union may not indemnify a dual employee for duties performed for any employer other than the federal credit union. For purposes of this subsection, a dual employee is a federal credit union employee who also performs work functions for another entity as part of a sharing arrangement between the federal credit union and the other entity.
22		.34 –Designation of low-income status; acceptance of secondary capital accounts by low-income designated credit unions.	X		Grants permission to LICU's to accept secondary capital accounts.	§ 701.34 Designation of low-income status; Acceptance of secondary capital accounts by low-income designated credit unions. (a) Designation of low-income status. (1) Based on data obtained through examinations, a regional director will notify a federal credit union that it qualifies for designation as a low-income credit union if a majority of its membership qualifies as low-income members. A federal credit union that wishes to receive the designation will notify the regional director in writing within 30 days of receipt of the regional director's notification. (2) Low-income members are those members who earn 80% or less than the median family income for the Census Bureau. The applicable income data can be obtained via the American FactFinder on the Census Bureau's webpage at http://factfinder.census.gov/home/ saff/main.html?_lang=en. Metropolitan area means an area designated by the Office of Management and Budget pursuant to 31 U.S.C. 1104(d), 44 U.S.C. 3504(c), and Executive Order 10253, 16 FR 5605 (June 13, 1951) (as amended). (b) Acceptance of secondary capital accounts by low income designated credit unions. A federal credit union having a designation of low-income status pursuant to paragraph (a) of this section may accept secondary capital accounts from non-natural person members and non-natural person nonmembers subject to the following conditions: (1) Secondary capital plan. Before accepting secondary capital, a low-income credit union (''LICU'') shall adopt, and forward to the appropriate NCUA Regional Director for approval, a written ''Secondary Capital Plan'' that, at a minimum: (i) States the maximum aggregate amount of uninsured secondary capital the LICU plans to accept; (ii) Identifies the purpose for which the aggregate secondary capital will be used, and how it will be repaid; (iii) Explains how the LICU will provide for liquidity to repay secondary capital upon maturity of the accounts; (iv) Demonstrates that the planned uses of secondary capital conform to the LICU's strategic plan, business plan and budget; and (v) Includes supporting pro forma financial statements, including any off-balance sheet items, covering a minimum of the next two years.(2) Decision on plan. If a LICU is not notified within 45 days of receipt of a Secondary Capital Plan that the plan is approved or disapproved, the LICU may proceed to accept secondary capital accounts pursuant to the plan. (3) Non-share account. The secondary capital account must be established as an uninsured secondary capital account or other form of non-share account. (4) Minimum maturity. The maturity of the secondary capital account must be a minimum of five years. (5) Uninsured account. The secondary capital account will not be insured by the National Credit Union Share Insurance Fund or any governmental or private entity. (6) Subordination of claim. The secondary capital account investor's claim against the LICU must be subordinate to all other claims including those of shareholders, creditors and the National Credit Union Share Insurance Fund. (7) Availability to cover losses. Funds deposited into a secondary capital account, including interest accrued and paid into the secondary capital account, must be available to cover operating losses realized by the LICU that exceed its net available reserves exclusive of secondary capital and allowance accounts for loan and lease losses), and to the extent funds are so used, the LICU must not restore or replenish the account under any circumstances. The LICU may, in lieu of paying interest into the secondary capital account, pay accrued interest directly to the investor or into a separate account from which the secondary capital investor may make withdrawals. Losses must be distributed pro rata among all secondary capital accounts held by the LICU at the time the losses are realized. (8) Security. The secondary capital account may not be pledged or provided by the account investor as security on a loan or other obligation with the LICU or any other party. (9) Merger or dissolution. In the event of merger or other voluntary dissolution of the LICU, other than merger into another LICU, the secondary capital accounts will be closed and paid out to the account investor to the extent they are not needed to cover losses at the time of merger or dissolution. (10) Contract agreement. A secondary capital account contract agreement must be executed by an authorized representative of the account investor and of the LICU reflecting the terms and conditions mandated by this section and any other terms and conditions not inconsistent with this section. (11) Disclosure and acknowledgement. An authorized representative of the LICU and of the secondary capital account investor each must execute a ''Disclosure and Acknowledgment'' as set forth in the Appendix to this section at the time of entering into the account agreement. The LICU must retain an original of the account agreement and the ''Disclosure and Acknowledgment'' for the term of the agreement, and a copy must be provided to the account investor. (12) Prompt corrective action. As provided in §§ 702.204(b)(11), 702.304(b) and 702.305(b) of this chapter, the NCUA Board may prohibit a LICU classified ''critically undercapitalized'' or, if ''new,'' as ''moderately capitalized,'' ''marginally capitalized,'' ''minimally capitalized'' or ''uncapitalized,'' as the case may be, from paying principal, dividends or interest on its uninsured secondary capital accounts established after August 7, 2000, except that unpaid dividends or interest will continue to accrue under the terms of the account to the extent permitted by law. (c) Accounting treatment; Recognition of net worth value of accounts. (1) Equity account. A LICU that issues secondary capital accounts pursuant to paragraph (b) of this section must record the funds on its balance sheet in an equity account entitled ''uninsured secondary capital account.'' (2) Schedule for recognizing net worth value. For accounts with remaining maturities of less than five years, the LICU must reflect the net worth value of the accounts in its financial statement in accordance with the following schedule: Appendix Remaining maturity Redemption limit as percent of original balance Four to less than five years 20, Three to less than four years 40 Two to less than three years 60, One to less than two years 80, Appendix to § 701.34 A LICU that is authorized to accept uninsured secondary capital accounts and each investor in such an account shall execute and date the following ''Disclosure and Acknowledgment'' form, a signed original of which must be retained by the credit union:

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						Disclosure and Acknowledgment, [Name of CU] and [Name of investor] hereby, acknowledge and agree that [Name of investor] has committed [amount of funds] to a secondary capital account with [name of credit union] under the following terms and conditions: 1. Term. The funds committed to the secondary capital account are committed for a period of ___ years. 2. Redemption prior to maturity. Subject to the conditions set forth in 12 CFR 701.34, the funds committed to the secondary capital account are redeemable prior to maturity only at the option of the LICU and only with the prior approval of the appropriate regional director.3. Uninsured, non-share account. The secondary capital account is not a share account and the funds committed to the secondary capital account are not insured by the National Credit Union Share Insurance Fund or any other governmental or private entity. 4. Prepayment risk. Redemption of secondary capital prior to the account's original maturity date may expose the account investor to the risk of being unable to reinvest the repaid funds at the same rate of interest for the balance of the period remaining until the original maturity date. The investor acknowledges that it understands and assumes responsibility for prepayment risk associated with the [name of credit union]'s redemption of the investor's secondary capital account prior to the original maturity date. 5. Availability to cover losses. The funds committed to the secondary capital account and any interest paid into the account may be used by [name of credit union] to cover any and all operating losses that exceed the credit union's net worth exclusive of allowance accounts for loan losses, and in the event the funds are so used, [name of credit union] will under no circumstances restore or replenish Remaining maturity Net worth value of original balance (percent) Four to less than five years 80, Three to less than four years 60, Two to less than three years 40, One to less than two years 20, Less than one year 0 (3) Financial statement. The LICU must reflect the full amount of the secondary capital on deposit in a footnote to its financial statement. (d) Redemption of secondary capital. With the written approval of the appropriate Regional Director, secondary capital that is not recognized as net worth under paragraph (c)(2) of this section (''discounted secondary capital'' re-categorized as subordinated debt) may be redeemed according to the remaining maturity schedule in paragraph (d)(3) of this section(1) Request to redeem secondary capital. A request for approval to redeem discounted secondary capital may be submitted in writing at any time, must specify the increment(s) to be redeemed and the schedule for redeeming all or any part of each eligible increment, and must demonstrate to the satisfaction of the appropriate Regional Director that: (i) The LICU will have a post-redemption net worth classification of ''adequately capitalized'' under part 702 of this chapter; (ii) The discounted secondary capital has been on deposit at least two years; (iii) The discounted secondary capital will not be needed to cover losses prior to final maturity of the account; (iv) The LICU's books and records are current and reconciled; (v) The proposed redemption will not jeopardize other current sources of funding, if any, to the LICU; and (vi) The request to redeem is authorized by resolution of the LICU's board of directors. (2) Decision on request. A request to redeem discounted secondary capital may be granted in whole or in part. If a LICU is not notified within 45 days of receipt of a request for approval to redeem secondary capital that its request is either granted or denied, the LICU may proceed to redeem secondary capital accounts as proposed. (3) Schedule for redeeming secondary capital. those funds to [name of institutional investor]. Dividends are not considered operating losses and are not eligible to be paid out of secondary capital. 6. Accrued interest. By initialing below, [name of credit union] and [name of institutional investor] agree that accrued interest will be: ___Paid into and become part of the secondary capital, account; ___ Paid directly to the investor; ___ Paid into a separate account from which the investor may make withdrawals; or ___Any combination of the above provided the details are specified and agreed to in writing. 7. Subordination of claims. In the event of liquidation of [name of credit union], the funds committed to the secondary capital account will be subordinate to all other claims on the assets of the credit union, including claims of member shareholders, creditors and the National Credit Union Share Insurance Fund. 8. Prompt Corrective Action. Under certain net worth classifications (see 12 CFR 702.204(b)(11), 702.304(b) and 702.305(b), as the case may be), the NCUA Board may prohibit [name of credit union] from paying principal, dividends or interest on its uninsured secondary capital accounts established after August 7, 2000, except that unpaid dividends or interest will continue to accrue under the terms of the account to the extent permitted by law. ACKNOWLEDGED AND AGREED TO this ___day of [month and year] by: _____ [name of investor's official] [title of official] [name of investor] [address and phone number of investor] [investor's tax identification number] _____ [name of credit union official] [title of official]
23		.35 –Share, share draft, and share certificate accounts.		X	Regulation grants permission for credit unions to offer share, share draft and certificate accounts to members.	§ 701.35 Share, share draft, and share certificate accounts.(a) Federal credit unions may offer share, share draft, and share certificate accounts in accordance with Section 107(6) of the Act (12 U.S.C. 1757(6)) and the board of directors may declare dividends on such accounts as provided in Section 117 of the Act (12 U.S.C. 1763). (b) A Federal credit union shall accurately represent the terms and conditions of its share, share draft, and share certificate accounts in all advertising, disclosures, or agreements, whether written or oral. (c) A federal credit union may, consistent with this section, parts 707 and 740 of this subchapter, other federal law, and its contractual obligations, determine the types of fees or charges and other matters affecting the opening maintaining and closing of a share, share draft or share certificate account. State laws regulating such activities are not applicable to federal credit unions. (d) For purposes of this Section, ''state law'' means the constitution, statutes, regulations, and judicial decisions of any state, the District of Columbia, the several territories and possessions of the United States, and the Commonwealth of Puerto Rico.
24		.36 –FCU Ownership of fixed assets.	X		Sets parameters and limitations on a FCU's ownership and treatment of fixed assets	§ 701.36 FCU Ownership of fixed assets. (a) Investment in Fixed Assets. (1) No Federal credit union with $1,000,000 or more in assets may invest in any fixed assets if the investment would cause the aggregate of all such investments to exceed five percent of the credit union's shares and retained earnings. (2) The NCUA may waive the prohibition in paragraph (a)(1) of this section. (i) A Federal credit union desiring a waiver must submit a written request to the NCUA regional office having jurisdiction over the geographical area in which the credit union's main office is located. The request must describe in detail the contemplated investment and the need for the investment. The request must also indicate the approximate aggregate amount of fixed assets, as a percentage of shares and retained earnings that the credit union would hold after the investment. (ii) The regional director will inform the requesting credit union, in writing, of the date the request was received and of any additional documentation that the regional director might require in support of the waiver request. (iii) The regional director will approve or disapprove the waiver request in writing within 45 days after receipt of the request and all necessary supporting documentation. If the regional director approves the waiver, the regional director will establish an alternative limit on aggregate investments in fixed assets, either as a dollar limit or as a percentage of the credit union's shares and retained earnings. Unless otherwise specified by the regional director, the credit union may make future acquisition of fixed assets only if the aggregate of all such future investments in fixed assets does not exceed an additional one percent of the shares and retained earnings of the credit union over the amount approved by the regional director. (iv) If the regional director does not notify the credit union of the action taken on its request within 45 calendar days of the receipt of the waiver request or the receipt of additional requested supporting information, whichever occurs later, the credit union may proceed with its proposed investment in fixed assets. The investment, and any future investments in fixed assets, must not cause the credit union to exceed the aggregate investment limit described in its waiver request. (b) Premises Not Currently Used To Transact Credit Union Business. (1) When a Federal credit union acquires premises for future expansion and does not fully occupy the space within one year, the credit union must have a board resolution in place by the end of that year with definitive plans for full occupation. Premises are fully occupied when the credit union, or a combination of the credit union, CUSOs, or vendors, use the entire space on a full-time basis. CUSOs and vendors must be using the space primarily to support the credit union or to serve the credit union's members. The credit union must make any plans for full occupation available to an NCUA examiner upon request. (2) When a Federal credit union acquires premises for future expansion, the credit union must partially occupy the premises within a reasonable period, not to exceed three years. Premises are partially occupied when the credit union is using some part of the space on a full-time basis. The NCUA may waive this partial occupation requirement in writing upon written request. The request must be made within 30 months after the property is acquired. (3) A Federal credit union must make diligent efforts to dispose of abandoned premises and any other real property not intended for use

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						in the conduct of credit union business. The credit union must seek fair market value for the property, and record its efforts to dispose of abandoned premises. After premises have been abandoned for four years, the credit union must publicly advertise the property for sale. Unless otherwise approved in writing by the NCUA, the credit union must complete the sale within five years of abandonment. (c) Prohibited Transactions. (1) Without the prior written approval of the NCUA, no federal credit union may invest in premises through an acquisition or a lease of one year or longer from any of the following: (i) A director, member of the credit committee or supervisory committee, or senior management employee of the federal credit union, or immediate family member of any such individual. (ii) A corporation in which any director, member of the credit committee or supervisory committee, official, or senior management employee, or immediate family members of any such individual, is an officer or director, or has a stock interest of 10 percent or more. (iii) A partnership, limited liability company, or other entity in which any director, member of the credit committee or supervisory committee, or senior management employee, or immediate family members of any such individual, is a general partner, or a limited partner or entity member with an interest of 10 percent or more. (2) The prohibition contained in paragraph (c)(1) of this section also applies to a lease from any other employee if the employee is directly involved in investments in fixed assets unless the board of directors determines that the employee's involvement does not present a conflict of interest. (3) All transactions with business associates or family members not specifically prohibited by this paragraph (c) must be conducted at arm's length and in the interest of the credit union. (d) Regulatory Flexibility Program. Federal credit unions that qualify for the Regulatory Flexibility Program provided for in part 742 of this chapter are exempt from the five percent limitation described in paragraph (a) of this section. Those federal credit unions are also exempt from the three-year partial occupancy requirement described in paragraph (b) of this section when acquiring unimproved land for future expansion pursuant to the terms of section 742.4(a)(3) of this chapter. For Federal credit unions eligible for the Regulatory Flexibility Program that subsequently lose eligibility: (1) Section 742.8 of this chapter provides that NCUA may require the credit union to divest any existing fixed assets for substantive safety and soundness reasons; and (2) The credit union may not make any new investments in fixed assets if, after the investment, the credit union's total investments in fixed assets would exceed the five percent limitation described in paragraph (a) of this section. The regional director may waive this prohibition to allow for new investments . (e) Definitions—As used in this section: (1) Abandoned premises means real property previously used to transact credit union business but no longer used for that purpose and real property originally acquired for future expansion for which the credit union no longer contemplates such use. (2) Fixed assets means premises, furniture, fixtures and equipment. (3) Furniture, fixtures, and equipment means all office furnishings, office machines, computer hardware and software, automated terminals, and heating and cooling equipment. (4) Investments in fixed assets means: (i) Any investment in improved or unimproved real property which is being used or is intended to be used as premises; (ii) Any leasehold improvement on premises; (iii) The aggregate of all capital and operating lease payments on fixed assets, without discounting commitments for future payments to present value; and (iv) Any investment in furniture, fixtures and equipment. (5) Immediate family member means a spouse or other family members living in the same household. (6) Premises means any office, branch office, sub-office, service center, parking lot, other facility, or real estate where the credit union transacts or will transact business. (7) Senior management employee means the credit union's chief executive officer (typically this individual holds the title of President or Treasurer/Manager), any assistant chief executive officers (e.g., Assistant President, Vice President or Assistant Treasurer/Manager) and the chief financial officer (Comptroller). (8) Shares means regular shares, share drafts, share certificates, other savings. (9) Retained earnings means undivided earnings, regular reserve, reserve for contingencies, supplemental reserves, reserve for losses, and other appropriations from undivided earnings as designated by management or the Administration.
25		.37 –Treasury Tax and Loan Depositaries; Depositaries and Financial Agents of the Government.	X		Grants permission for FCU's to act as Treasury tax and loan depositary as well as a depositary of public money and defines insurance amount on these accounts.	§ 701.37 Treasury Tax and Loan Depositaries; Depositaries and Financial Agents of the Government. (a) Definitions. (1) Treasury Tax and Loan (TT&L) Remittance Account means a non-dividend-paying account, the balance of which is subject to the right of immediate withdrawal, established for receipt of payments of Federal taxes and certain United States obligations under United States Treasury Department regulations. (2) TT&L Note Account means an account subject to the right of immediate call, evidencing funds held by depositaries electing the note option under United States Treasury Department regulations. (3) Treasury General Account means an account, established under United States Treasury Department regulations, in which a zero balance may be maintained and from which the entire balance may be withdrawn by the depositor immediately under all circumstances except closure of the credit union. (4) U.S. Treasury Time Deposit-Open Account means a no dividend-bearing account, established under United States Treasury Department regulations, which generally may not be withdrawn until the expiration of 14 days after the date of the United States Treasury Department's written notice of intent to withdraw. (b) Subject to regulation of the United States Treasury Department, a Federal credit union may serve as a Treasury tax and loan depositary, a depositary of Federal taxes, a depositary of public money, and a financial agent of the United States Government. In serving in these capacities, a Federal credit union may maintain the accounts defined in subsection pledge collateral, and perform the services described under United States Treasury Department regulations for institutions acting in these capacities. (c) Funds held in a TT&L Remittance Account, a TT&L Note Account, a Treasury General Account, and a U.S. Treasury Time Deposit-Open Account shall be considered deposits of public funds. Funds held in a TT&L Remittance Account and a TT&L Note Account shall be added together and insured up to a maximum of $100,000 in the aggregate. Funds held in a Treasury General Account and a U.S. Treasury Time Deposit-Open Account shall be added together and insured up to a maximum of $100,000 in the aggregate. (d) Funds held in a TT&L Remittance Account, a TT&L Note Account, a Treasury General Account, and U.S. Treasury Time Deposit-Open Account are not subject to the 60-day notice requirement of Article III, section 5(a) of the Federal Credit Union Bylaws.
26		.38 –Borrowed funds from natural persons.	X		Grants permission for FCU's to borrow funds from natural persons.	§ 701.38 Borrowed funds from natural persons. (a) Federal credit unions may borrow from a natural person, provided: (1) The borrowing is evidenced by a signed promissory note which sets forth the terms and conditions regarding maturity, prepayment, interest rate, method of computation, and method of payment; (2) The promissory note and any advertisement for such funds contains conspicuous language indicating that: (i) The note represents money borrowed by the credit union; (ii) The note does not represent shares and, therefore, is not insured by the National Credit Union Share Insurance Fund. (b) Federal credit unions must comply with the maximum borrowing authority of § 741.2 of this chapter.
27		.39 –Statutory lien.		X	Grants permission to an FCU to establish a lien against the property of members to secure a financial obligation to the FCU by that member.	§ 701.39 Statutory lien. (a) Definitions. Within this section, each of the following terms has the meaning prescribed below: (1) Except as otherwise provided by law or except as otherwise provided by federal law is a qualifying phrase referring to a federal and/or state law, as the case may be, which supersedes a requirement of this section. It is the responsibility of the credit union to ascertain whether such statutory or case law exists and is applicable; (2) Impress means to attach to a member's account and is the act which makes the lien enforceable against that account; (3) Member means any member who is primarily, secondarily or otherwise responsible for an outstanding financial obligation to the credit union, including without limitation an obligor, maker, co-maker, guarantor, cosigner, endorser, surety or accommodation party; (4) Notice means written notice to a member disclosing, in plain language, that the credit union has the right to impress and enforce a statutory lien against the member's shares and dividends in the event of failure to satisfy a financial obligation, and may enforce the right without further notice to the member. Such notice must be given at the time, or at any time before, the member incurs the financial obligation; (5) Statutory lien means the right granted by section 107(11) of the Federal Credit Union Act, 12 U.S.C. 1757(11), to a federal credit union to establish a right in or claim to a member's shares and dividends equal to the amount of that member's outstanding financial obligation to the credit union, as that amount varies from time to time. (b) Superior claim. Except as otherwise provided by law, a statutory lien gives the federal credit union priority over other creditors when claims are asserted against a member's account(s). (c) Impressing a statutory lien. Except as otherwise provided by federal law, a credit union can impress a statutory lien on a member's account(s)— (1) Account records. By giving notice thereof in the member's account agreement(s) or other account opening documentation; or (2) Loan documents. In the case of a loan, by giving notice thereof in a loan document signed or otherwise acknowledged by the member(s); or (3) Bylaw or policy. Through a duly adopted credit

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						union bylaw or policy of the board of directors, of which the member is given notice. (d) Enforcing a statutory lien. (1) Application of funds. Except as otherwise provided by federal law, a federal credit union may enforce its statutory lien against a member's account(s) by debiting funds in the account and applying them to the extent of any of the member's outstanding financial obligations to the credit union. (2) Default required. A federal credit union may enforce its statutory lien against a member's account(s) only when the member fails to satisfy an outstanding financial obligation due and payable to the credit union. (3) Neither judgment nor set-off required. A federal credit union need not obtain a court judgment on the member's debt, nor exercise the equitable right of set-off, prior to enforcing its statutory lien against the member's account.
28	**§702 – Prompt Corrective Action**	**.1- Authority, purpose, scope and other supervisory authority.**			**This Part of the NCUA regulations (including subparts A, B, C and D) deals exclusively with safety and soundness issues that impact directly or indirectly the financial condition of the credit union.**	§ 702.1 Authority, purpose, scope and other supervisory authority. (a) Authority. Subparts A, B and C of this part and subpart L of part 747 of this chapter are issued by the National Credit Union Administration pursuant to section 216 of the Federal Credit Union Act (FCUA), 12 U.S.C. 1790d (section 1790d), as added by section 301 of the Credit Union Membership Access Act, Pub. L. No. 105– 219, 112 Stat. 913 (1998). Subpart D of this part is issued pursuant to FCUA section 120, 12 U.S.C. 1766. (b) Purpose. The express purpose of prompt corrective action under section 1790d is to resolve the problems of federally-insured credit unions at the least possible long-term loss to the National Credit Union Share Insurance Fund. This part carries out the purpose of prompt corrective action by establishing a framework of mandatory and discretionary supervisory actions, applicable according to a credit union's net worth ratio, designed primarily to restore and improve the net worth of federally-insured credit unions. (c) Scope. This part implements the provisions of section 1790d as they apply to federally-insured credit unions, whether federally- or state-chartered; to such credit unions defined as ''new'' pursuant to section 1790d(b)(2); and to such credit unions defined as ''complex'' pursuant to section 1790d(d). Certain of these provisions also apply to officers and directors of federally-insured credit unions. This part does not apply to corporate credit unions. Procedures for issuing, reviewing and enforcing orders and directives issued under this part are set forth in subpart L of part 747 of this chapter, 12 CFR 747.2001 et seq. (d) Other supervisory authority. Neither § 1790d nor this part in any way limits the authority of the NCUA Board or appropriate State official under any other provision of law to take additional supervisory actions to address unsafe or unsound practices or conditions, or violations of applicable law or regulations. Action taken under this part may be taken independently of, in conjunction with, or in addition to any other enforcement action available to the NCUA Board or appropriate State official, including issuance of cease and desist orders, orders of prohibition, suspension and removal, or assessment of civil money penalties, or any other actions authorized by law.
29		.2 Definitions				§ 702.2 Definitions. Except as provided below, the terms used in this part have the same meanings as set forth in FCUA sections 101 and 216, 12 U.S.C. 1752, 1790d. (a) Appropriate regional director means the director of the NCUA regional office having jurisdiction over federally-insured credit unions in the state where the affected credit union is principally located. (b) Appropriate State official means the commission, board or other supervisory authority having jurisdiction over credit unions chartered by the State which chartered the affected credit union. (c) Credit union means a federally-insured, natural person credit union, whether federally- or State-chartered, as defined by 12 U.S.C. 1752(6). (d) CUSO means a credit union service organization as described in 12 CFR 712 et seq. for federally-chartered credit unions, and as defined under State law for State chartered credit unions. (e) NCUSIF means the National Credit Union Share Insurance Fund as defined by 12 U.S.C. 1783. (f) Net Worth means (1) The retained earnings balance of the credit union at quarter-end as determined under generally accepted accounting principles, subject to paragraph (f)(3) of this section. Retained earnings consists of undivided earnings, regular reserves, and any other appropriations designated by management or regulatory authorities; (2) For a low income-designated credit union, net worth also includes secondary capital accounts that are uninsured and subordinate to all other claims, including claims of creditors, shareholders and the NCUSIF; and (3) For a credit union that acquires another credit union in a mutual combination, net worth includes the retained earnings of the acquired credit union, or of an integrated set of activities and assets, at the point of acquisition. A mutual combination is a transaction in which a credit union acquires another credit union, or acquires an integrated set of activities and assets that is capable of being conducted and managed as a credit union. (g) Net worth ratio means the ratio of the net worth of the credit union (as defined in paragraph (f) of this section) to the total assets of the credit union (as defined by a measure chosen under paragraph (k) of this section). (h) New credit union means a federally-insured credit union which both has been in operation for less than ten (10) years and has $10,000,000 or less in total assets. (i) Senior executive officer means a senior executive officer as defined by 12 CFR 701.14(b)(2). (j) Shares means deposits, shares, share certificates, share drafts, or any other depository account authorized by federal or state law. (k) Total assets. (1) Total assets means a credit union's total assets as measured by either—(i) Average quarterly balance. The average of quarter end balances of the current and three preceding calendar quarters; or (ii) Average monthly balance. The average of month end balances over the three calendar months of the calendar quarter; or (iii) Average daily balance. The average daily balance over the calendar quarter; or (iv) quarter-end balance. The quarter-end balance of the calendar quarter as reported on the credit union's Call Report. (2) For each quarter, a credit union must elect a measure of total assets from paragraph (k)(1) of this section to apply for all purposes under this part except §§ 702.103 through 702.108 [risk-based net worth requirement]. (l) Weighted-average life means the weighted-average time to the return of a dollar of principal, calculated by multiplying each portion of principal received by the time at which it is expected to be received (based on a reasonable and supportable estimate of that time), and then summing and dividing by the total amount of principal.
30	**Subpart A**	**.101 – Measures and effective date of net worth classification.**	X			§ 702.101 Measures and effective date of net worth classification. (a) Net worth measures. For purposes of this part, a credit union must determine its net worth category classification at the end of each calendar quarter using two measures: (1) The net worth ratio as defined in § 702.2(g); and (2) If determined to be applicable under § 702.103, a risk-based net worth requirement. (b) Effective date of net worth classification. For purposes of this part, the effective date of a federally insured credit union's net worth category classification shall be the most recent to occur of: (1) Quarter-end effective date. The last day of the calendar month following the end of the calendar quarter; or (2) Corrected net worth category. The date the credit union received subsequent written notice from NCUA or, if State-chartered, from the appropriate State official, of a decline in net worth category due to correction of an error or misstatement in the credit union's most recent Call Report; or (3) Reclassification to lower category. The date the credit union received written notice from NCUA or, if State chartered, the appropriate State official, of reclassification on safety and soundness grounds as provided under §§ 702.102(b) or 70.302(d).
31		.102 – Statutory net worth categories.	X			§ 702.102 Statutory net worth categories. (a) Net worth categories. Except for credit unions defined as ''new'' under subpart B of this part, a federally insured credit union shall be classified (Table 1)— (1) Well capitalized if it has a net worth ratio of seven percent (7%) or greater and also meets any applicable risk based net worth requirement under §§ 702.103 through 702.108; or (2) Adequately capitalized if it has a net worth ratio of six percent (6%) or more but less than seven percent (7%), and also meets any applicable risk-based net worth requirement under §§ 702.103 through 702.108 below; or (3) Undercapitalized if it has a net worth ratio of four percent (4%) or more but less than six percent (6%), or fails to meet any applicable risk-based net worth requirement under §§ 702.103 through 702.108; or (4) Significantly undercapitalized if it (i) Has a net worth ratio of two percent (2%) or more but less than four percent (4%); or (ii) Has a net worth ratio of four percent (4%) or more but less than five percent (5%), and either— (A) Fails to submit an acceptable net worth restoration plan within the time prescribed in § 702.206; or (B) Materially fails to implement a net worth restoration plan approved by the NCUA Board; or (5) Critically undercapitalized if it has a net worth ratio of less than two percent (2%).
32		.103 – Applicability of	X			§ 702.103 Applicability of risk-based net worth requirement. For purposes of § 702.102, a credit union is defined as ''complex'' and a risk-based net worth requirement is applicable only if the credit union meets both of the following criteria as reflected in its most recent Call Report: (a) Minimum asset size. Its quarter-end total assets exceed ten million dollars ($10,000,000);

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		net worth req't.				and (b) Minimum RBNW calculation. Its risk-based net worth requirement as calculated under § 702.106 exceeds six percent (6%).
33		.104 – Risk portfolios defined.	X			§ 702.104 Risk portfolios defined. A risk portfolio is a portfolio of assets, liabilities, or contingent liabilities as specified below, each expressed as a percentage of the credit union's quarter-end total assets reflected in its most recent Call Report, rounded to two decimal places (Table 2): (a) Long-term real estate loans. Total real estate loans and real estate lines of credit outstanding, exclusive of those outstanding that will contractually refinance, re-price or mature within the next five (5) years, and exclusive of all member business loans (as defined in 12 CFR 723.1 or as approved under 12 CFR 723.20); (b) Member business loans outstanding. All member business loans as defined in 12 CFR 723.1 or as approved under 12 CFR 723.20; (c) Investments. Investments as defined by 12 CFR 703.150 or applicable State law, including investments in CUSOs (as defined by § 702.2(d)); (d) Low-risk assets. Cash on hand (e.g., coin and currency, including vault, ATM and teller cash) and the NCUSIF deposit; (e) Average-risk assets. One hundred percent (100%) of total assets minus the sum of the risk portfolios in paragraphs (a) through (d) of this section; (f) Loans sold with recourse. Outstanding balance of loans sold or swapped with recourse, excluding loans sold to the secondary mortgage market that have representations and warranties consistent with those customarily required Table 1—Statutory net worth category classification A credit union's net worth is… if its net worth ratio is… and subject to the following condition(s)…"Well Capitalized" 7% or above Meets applicable risk-based net worth (RBNW) requirement "Adequately Capitalized" 6% to 6.99% Meets applicable RBNW requirement "Undercapitalized" 4% to 5.99% Or fails applicable RBNW requirement "Significantly Undercapitalized" 2% to 3.99% Or if "undercapitalized at <5% net worth ratio and fails to timely submit or materially implement Net Worth Restoration Plan "Critically Undercapitalized" Less than 2% None by the U.S. Government and government sponsored enterprises; (g) Unused member business loan commitments. Unused commitments for member business loans as defined in 12 CFR 723.1 or as approved under 12 CFR 723.20; and (h) Allowance. The Allowance for Loan and Lease Losses not to exceed the equivalent of one and one-half percent (1.5%) of total loans outstanding. Table 2—§ 702.104 Risk Portfolios Defined Risk Portfolio Assets, liabilities or contingent liabilities (a) Long-term real estate loans Total real estate loans and real estate lines of credit (excluding MBLs) with a maturity (and next rate adjustment period if variable rate) greater than 5 years (b) MBLs outstanding Member business loans outstanding (c) Investments As defined by federal regulation or applicable State law (d) Low-risk assets Cash on hand and NCUSIF deposit (e) Average-risk assets 100% of total assets minus sum of risk portfolios above (f) Loans sold with recourse Outstanding balance of loans sold or swapped with recourse, except for loans sold to the secondary mortgage market with a recourse period of 1 year or less (g) Unused MBL commitments Unused commitments for MBLs (h) Allowance for Loan and Lease Losses limited to equivalent of 1.50 percent of total loans outstanding.
34		.105 Weighted-average life of investments.	X			§ 702.105 Weighted–average life of investments. Except as provided below (Table 3), the weighted average life of an investment for purposes of §§ 702.106(c) and 702.107(c) is defined pursuant to §702.2(m): (a) Registered investment companies and collective investment funds. (1) For investments in registered investment companies (e.g., mutual funds) and collective investment funds, the weighted-average life is defined as the maximum weighted-average life disclosed, directly or indirectly, in the prospectus or trust instrument; (2) For investments in money market funds, as defined in 17 CFR 270.2a–7, and collective investment funds operated in accordance with short-term investment fund rules set forth in 12 CFR 9.18(b)(4)(ii)(B)(1)–(3), the weighted-average life is defined as one (1) year or less; and (3) For other investments in registered investment companies or collective investment funds, the weighted average life is defined as greater than five (5) years, but less than or equal to seven (7) years; (b) Callable fixed-rate debt obligations and deposits. For fixed-rate debt obligations and deposits that are callable in whole, the weighted-average life is defined as the period remaining to the maturity date; (c) Variable-rate debt obligations and deposits. For variable-rate debt obligations and deposits, the weighted average life is defined as the period remaining to the next rate adjustment date; (d) Capital in mixed-ownership Government corporations and corporate credit unions. For capital stock in mixed-ownership Government corporations, as defined in 31 U.S.C. 9101(2), and member paid-in capital and membership capital in corporate credit unions, as defined in 12 CFR 704.2, the weighted-average life is defined as greater than one (1) year, but less than or equal to three (3) years; (e) Investments in CUSOs. For investments in CUSOs (as defined in § 702.2(d)), the weighted- average life is defined as greater than one (1) year, but less than or equal to three (3) years; and (f) Other equity securities. For other equity securities, the weighted average life is defined as greater than ten (10) years.
35		.106 – Standard calculation of risk-based net worth requirement.	X			§ 702.106 Standard calculation of risk-based net worth requirement. A credit union's risk-based net worth requirement is the aggregate of the following standard component amounts, each expressed as a percentage of the credit union's quarter-end total assets as reflected in its most recent Call Report, rounded to two decimal places (Table 4): (a) Long-term real estate loans. The sum of: (1) Six percent (6%) of the amount of long-term real estate loans less than or equal to twenty-five percent (25%) of total assets; and (2) Fourteen percent (14%) of the amount in excess of twenty-five percent (25%) of total assets; (b) Member business loans outstanding. The sum of: (1) Six percent (6%) of the amount of member business loans outstanding less than or equal to fifteen percent (15%) of total assets; (2) Eight percent (8%) of the amount of member business loans outstanding greater than fifteen percent (15%), but less than or equal to twenty-five percent (25%), of total assets; and (3) Fourteen percent (14%) of the amount in excess of twenty-five percent (25%) of total assets; (c) Investments. The sum of: (1) Three percent (3%) of the amount of investments with a weighted-average life (as specified in § 702.105 above) of one (1) year or less; (2) Six percent (6%) of the amount of investments with a weighted-average life greater than one (1) year, but less than or equal to three (3) years; (3) Twelve percent (12%) of the amount of investments with a weighted-average life greater than three (3) years, but less than or equal to ten (10) years; and (4) Twenty percent (20%) of the amount of investments with a weighted-average life greater than ten (10) years; (d) Low-risk assets. Zero percent (0%) of the entire portfolio of low-risk assets; (e) Average-risk assets. Six percent (6%) of the entire portfolio of average-risk assets; (f) Loans sold with recourse. Six percent (6%) of the entire portfolio of loans sold with recourse; (g) Unused member business loan commitments. Six percent (6%) of the entire portfolio of unused member business loan commitments; and (h) Allowance. Negative one hundred percent (-100%) of the balance of the Allowance for Loan and Lease Losses account, not to exceed the equivalent of one and one-half percent (1.5%) of total loans outstanding. Table 3—§ 702.105 Weighted–Average Life of Investments Investment Weighted-average life (a) Registered investment companies and collective investment funds. Registered investment companies and collective investment funds: As disclosed in prospectus or trust instrument, but if not disclosed, greater than five (5) years, but less than or equal to seven (7) years ii. Money market funds and STIFs: One (1) year or less.(b) Callable fixed-rate debt obligations and deposits Period remaining to maturity date.(c) Variable-rate debt obligations and deposits Period remaining to next rate adjustment.(d) Capital in mixed-ownership Government corporations and corporate credit unions Greater than one (1) year, but less than or equal to three (3) years.(e) Investments in CUSOs Greater than one (1) year, but less than or equal to three (3) years.(f) Other equity securities Greater than ten (10) years.
36		.107 Alternative components for standard calculation.	X			§ 702.107 Alternative components for standard calculation. A credit union may substitute one or more alternative components below, in place of the corresponding standard components in § 702.106 above, when any alternative component amount, expressed as a percentage of the credit union's quarter-end total assets as reflected in its most recent Call Report, rounded to two decimal places, is smaller (Table 5): (a) Long-term real estate loans. The sum of: (1) Non-callable. Non-callable long-term real estate loans as follows: (i) Eight percent (8%) of the amount of such loans with a remaining maturity of greater than 5 years, but less than or equal to 12 years; (ii) Twelve percent (12%) of the amount of such loans with a remaining maturity of greater than 12 years, but less than or equal to 20 years; and (iii) Fourteen percent (14%) of the amount of such loans with a remaining maturity greater than 20 years; (2) Callable. Long-term real estate loans callable in 5 years or less as follows: (i) Six percent (6%) of the amount of such loans with a documented call provision of 5 years or less and with a remaining maturity of greater than 5 years, but less than or equal to 12 years; (ii) Ten percent (10%) of the amount of such loans with a documented call provision of 5 years or less and with a remaining maturity of greater

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						than 12 years, but less than or equal to 20 years; and (iii) Twelve percent (12%) of the amount of such loans with a documented call provision of 5 years or less and with a remaining maturity of greater than 20 years; (b) Member business loans outstanding. The sum of: (1) Fixed rate. Fixed-rate member business loans outstanding as follows: (i) Six percent (6%) of the amount of such loans with a remaining maturity of 3 or fewer years; (ii) Nine percent (9%) of the amount of such loans with a remaining maturity greater than 3 years, but less than or equal to 5 years; (iii) Twelve percent (12%) of the amount of such loans with a remaining maturity greater than 5 years, but less than or equal to 7 years; (v) Sixteen percent (16%) of the amount of such loans with a remaining maturity greater than 12 years; and (2) Variable-rate. Variable-rate member business loans outstanding as follows: (i) Six percent (6%) of the amount of such loans with a remaining maturity of 3 or fewer years; (ii) Eight percent (8%) of the amount of such loans with a remaining maturity greater than 3 years, but less than or equal to 5 years; (iii) Ten percent (10%) of the amount of such loans with a remaining maturity greater than 5 years, but less than or equal to 7 years; (iv) Twelve percent (12%) of the amount of such loans with a remaining maturity greater than 7 years, but less than or equal to 12 years; and (v) Fourteen percent (14%) of the amount of such loans with a remaining maturity greater than 12 years.(c) Investments. The sum of: (1) Three percent (3%) of the amount of investments with a weighted-average life (as specified in § 702.105 above) of one (1) year or less; (2) Six percent (6%) of the amount of investments with a weighted-average life greater than one (1) year, but less than or equal to three (3) years; (3) Eight percent (8%) of the amount of investments with a weighted-average life greater than three (3) years, but less than or equal to five (5) years; (4) Twelve percent (12%) of the amount of investments with a weighted-average life greater than five (5) years, but less than or equal to seven (7) years; (5) Sixteen percent (16%) of the amount of investments with a weighted-average life greater than seven (7) years, but less than or equal to ten (10) years; and (6) Twenty percent (20%) of the amount of investments with a weighted-average life greater than ten (10) years. (d) Loans sold with recourse. The alternative component is the sum of: (1) Six percent (6%) of the amount of loans sold with contractual recourse obligations of six percent (6%) or greater; and (2) The weighted average recourse percent of the amount of loans sold with contractual recourse obligations of less than six percent (6%), as computed by the credit union. Table 5—§ 702.107 Alternative Components for Standard Calculation (a) Long-Term Real Estate Loans Amount of long-term real estate loans by remaining maturity Alternative risk weighting Non-callable long-term real estate loans Remaining maturity: >5 years to 12 years .08, >12 years to 20 years .12, >20 years .14, Long-term real estate loans callable in 5 years or less, Remaining maturity: >5 years to 12 years .06, >12 years to 20 years .10, >20 years .12. The “alternative component” is the sum of each amount of the “long-term real estate loans” risk portfolio by non-”callable” and “callable” characteristic and by remaining maturity (as a percent of quarter-end total assets) times its alternative factor. Substitute for corresponding standard component if smaller. (b) Member Business Loans. Amount of member business loans by remaining maturity Alternative risk weighting Fixed-rate MBLs, 0 to 3 years .06, >3 years to 5 years .09, >5 years to 7 years .12, >7 years to 12 years .14, >12 years .16.
37		.108 – Risk mitigation credit	X			§ 702.108 Risk mitigation credit. (a) Who may apply. A credit union may apply for a risk mitigation credit if on any of the current or three preceding effective dates of classification it either failed an applicable RBNW requirement or met it by less than 100 basis points. (b) Application for credit. Upon application pursuant to guidelines duly adopted by the NCUA Board, the NCUA Board may in its discretion grant a credit to reduce a risk-based net worth requirement under §§ 702.106 and 702.107 upon proof of mitigation of: (1) Credit risk; or Variable-rate MBLs, 0 to 3 years .06, >3 years to 5 years .08, >5 years to 7 years .10, >7 years to 12 years .12>12 years .14. The “alternative component” is the sum of each amount of the member business loan’s risk portfolio by fixed and variable rate and by remaining maturity (as a percent of quarter-end total assets) times its alternative factor. Substitute for corresponding standard component if smaller. (c) Investments Amount of investments by weighted-average life Alternative risk weighting 0 to 1 year .03, >1 year to 3 years .06, >3 years to 5 years .08, >5 years to 7 years .12, >7 years to 10 years .16, >10 years .20. The “alternative component” is the sum of each amount of the Investment’s risk portfolio by weighted-average life (as a percent of quarter-end total assets) times its alternative factor. Substitute for corresponding standard component if smaller. (d) Loans Sold With Recourse Amount of loans by recourse Alternative risk weighting Recourse 6% or greater .06 Recourse <6% Weighted average recourse percent. The “alternative component” is the sum or each amount of the “loans sold with recourse” risk portfolio by level of recourse (as a percent of quarter-end total assets) times its alternative factor. The alternative factor for loans sold with recourse of less than 6% is equal to the weighted average recourse percent on such loans. A credit union must compute the weighted average recourse percent for its loans sold with recourse of less than six (6%). Substitute for corresponding standard component if smaller. (2) Interest rate risk as demonstrated by economic value exposure measures. (c) Application by FISCU. In the case of a FISCU seeking a risk mitigation credit— (1) Before an application under paragraph (a) above may be submitted to the NCUA Board, it must be submitted in duplicate to the appropriate State official and the appropriate Regional Director; and (2) The NCUA Board, when evaluating the application of a FISCU, shall consult and seek to work cooperatively with the appropriate State official, and shall provide prompt notice of its decision to the appropriate State official.
38	**Subpart B – Mandatory and Discretionary Supervisory Actions**	**.201- Prompt corrective action for “adequately capitalized” credit unions.**	X			§ 702.201 Prompt corrective action for ‘‘adequately capitalized’’ credit unions. (a) Earnings retention. Beginning the effective date of classification as ‘‘adequately capitalized’’ or lower, a federally-insured credit union must increase the dollar amount of its net worth quarterly either in the current quarter, or on average over the current and three preceding quarters, by an amount equivalent to at least 1/10th percent (0.1%) of its total assets, and must quarterly transfer that amount (or more by choice) from undivided earnings to its regular reserve account until it is ‘‘well capitalized.’’ (b) Decrease in retention. Upon written application received no later than 14 days before the quarter end, the NCUA Board, on a case-by-case basis, may permit a credit union to increase the dollar amount of its net worth and quarterly transfer an amount that is less than the amount required under paragraph (a) of this section, to the extent the NCUA Board determines that such lesser amount— (1) Is necessary to avoid a significant redemption of shares; and (2) Would further the purpose of this part. (c) Decrease by FISCU. The NCUA Board shall consult and seek to work cooperatively with the appropriate State official before permitting a federally-insured State chartered credit union to decrease its earnings retention under paragraph (b) of this section. (d) Periodic review. A decision under paragraph (b) of this section to permit a credit union to decrease its earnings retention is subject to quarterly review and revocation except when the credit union is operating under an approved net worth restoration plan that provides for decreasing its earnings retention as provided under paragraph (b).
39		.202-Prompt corrective action for “undercapitalized ” credit unions.	X			§ 702.202 Prompt corrective action for ‘‘undercapitalized’’ credit unions (a) Mandatory supervisory actions by credit union. A federally-insured credit union which is ‘‘undercapitalized’’ must— (1) Earnings retention. Increase net worth and transfer earnings to its regular reserve account in accordance with § 702.201; (2) Submit net worth restoration plan. Submit a net worth restoration plan pursuant to §702.206, provided however, that a credit union in this category having a net worth ratio of less than five percent (5%) which fails to timely submit such a plan, or which materially fails to implement an approved plan, is classified ‘‘significantly undercapitalized’’ pursuant to § 702.102(a)(4)(ii) above; (3) Restrict increase in assets. Beginning the effective date of classification as ‘‘undercapitalized’’ or lower, not permit the credit union’s assets to increase beyond its total assets (per § 702.2(j)) for the preceding quarter unless— (i) Plan approved. The NCUA Board has approved a net worth restoration plan which provides for an increase in total assets and— Appendix H -Example RBNW Requirement Using ALTERNATIVE Components (Example Calculation in Bold) Risk portfolio Standard component Alternative component Lower of standard or alternative component (a) Long-term real estate loans 2.20% 2.85% 2.20%, (b) MBLs outstanding 1.10% 1.25% 1.10%, (c) Investments 1.51% 1.37% 1.37%, (d) Loans sold with recourse 1.20% 1.03% 1.03%, Standard component (e) Low-risk assets 0%, (f) Average-risk assets 1.53%, (g) Unused MBL commitments 0.15%, (h) Allowance (1.02)% RBNW requirement* Compare to Net Worth Ratio 6.53% *A credit union is “undercapitalized” if its net worth ratio is less than its applicable RBNW requirement. (A) The assets of the credit union are increasing consistent with the approved plan; and (B) The credit union is implementing steps to increase the net worth ratio consistent with the approved plan; (ii) Plan not approved. The NCUA Board has not approved a net worth restoration plan and total assets of the credit union are increasing because of increases since quarter-end in balances of: (A) Total accounts receivable and accrued income on loans and investments; or (B)

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						Total cash and cash equivalents; or (C) Total loans outstanding, not to exceed the sum of total assets (per § 702.2(j)) plus the quarter-end balance of unused commitments to lend and unused lines of credit provided however that a credit union which increases a balance as permitted under paragraphs (A), (B) or (C) cannot offer rates on shares in excess of prevailing rates on shares in its relevant market area, and cannot open new branches; (4) Restrict member business loans. Beginning the effective date of classification as ‘‘undercapitalized’’ or lower, not increase the total dollar amount of member business loans (defined as loans outstanding and unused commitments to lend) as of the preceding quarter end unless it is granted an exception under 12 U.S.C. 1757a(b). (b) ‘‘Second tier’’ discretionary supervisory actions by NCUA. Subject to the applicable procedures for issuing, reviewing and enforcing directives set forth in subpart L of part 747 of this chapter, the NCUA Board may, by directive, take one or more of the following actions with respect to an ‘‘undercapitalized’’ credit union having a net worth ratio of less than five percent (5%), or a director, officer or employee of such a credit union, if it determines that those actions are necessary to carry out the purpose of this part: (1) Requiring prior approval for acquisitions, branching, new lines of business. Prohibit a credit union from, directly or indirectly, acquiring any interest in any business entity or financial institution, establishing or acquiring any additional branch office, or engaging in any new line of business, unless the NCUA Board has approved the credit union’s net worth restoration plan, the credit union is implementing its plan, and the NCUA Board determines that the proposed action is consistent with and will further the objectives of that plan; (2) Restricting transactions with and ownership of CUSO. Restrict the credit union’s transactions with a CUSO, or require the credit union to reduce or divest its ownership interest in a CUSO; (3) Restricting dividends paid. Restrict the dividend rates the credit union pays on shares to the prevailing rates paid on comparable accounts and maturities in the relevant market area, as determined by the NCUA Board, except that dividend rates already declared on shares acquired before imposing a restriction under this paragraph may not be retroactively restricted; (4) Prohibiting or reducing asset growth. Prohibit any growth in the credit union’s assets or in a category of assets, or require the credit union to reduce its assets or a category of assets; (5) Alter, reduce or terminate activity. Require the credit union or its CUSO to alter, reduce, or terminate any activity which poses excessive risk to the credit union; (6) Prohibiting nonmember deposits. Prohibit the credit union from accepting all or certain nonmember deposits; (7) Dismissing director or senior executive officer. Require the credit union to dismiss from office any director or senior executive officer, provided however, that a dismissal under this clause shall not be construed to be a formal administrative action for removal under 12 U.S.C. 1786(g); (8) Employing qualified senior executive officer. Require the credit union to employ qualified senior executive officers (who, if the NCUA Board so specifies, shall be subject to its approval); and (9) Other action to carry out prompt corrective action. Restrict or require such other action by the credit union as the NCUA Board determines will carry out the purpose of this part better than any of the actions prescribed in paragraphs (b)(1) through (8) of this section. (c) ‘‘First tier’’ application of discretionary supervisory actions. An ‘‘undercapitalized’’ credit union having a net worth ratio of five percent (5%) or more, or which is classified ‘‘undercapitalized’’ by reason of failing to satisfy a risk-based net worth requirement under §702.105 or 702.106, is subject to the discretionary supervisory actions in paragraph (b) of this section if it fails to comply with any mandatory supervisory action in paragraph (a) of this section or fails to timely implement an approved net worth restoration plan under § 702.206, including meeting its prescribed steps to increase its net worth ratio.
40		203- Prompt corrective action for “significantly undercapitalized” credit unions.	X			§ 702.203 Prompt corrective action for ‘‘significantly undercapitalized’’ credit unions. (a) Mandatory supervisory actions by credit union. A federally-insured credit union which is ‘‘significantly undercapitalized’’ must— (1) Earnings retention. Increase net worth and transfer earnings to its regular reserve account in accordance with § 702.201; (2) Submit net worth restoration plan. Submit a net worth restoration plan pursuant to §702.206; (3) Restrict increase in assets. Not permit the credit union’s total assets to increase except as provided in § 702.202(a)(3) and § 702.204 (4) Restrict member business loans. Not increase the total dollar amount of member business loans (defined as loans outstanding and unused commitments to lend) as provided in § 702.202(a)(4). (b) Discretionary supervisory actions by NCUA. Subject to the applicable procedures for issuing, reviewing and enforcing directives set forth in sub-part L of part 747 of this chapter, the NCUA Board may, by directive, take one or more of the following actions with respect to any ‘‘significantly undercapitalized’’ credit union, or a director, officer or employee of such credit union, if it determines that those actions are necessary to carry out the purpose of this part: (1) Requiring prior approval for acquisitions, branching, new lines of business. Prohibit a credit union from, directly or indirectly, acquiring any interest in any business entity or financial institution, establishing or acquiring any additional branch office, or engaging in any new line of business, except as provided in §702.202(b) (1); (2) Restricting transactions with and ownership of CUSO. Restrict the credit union’s transactions with a CUSO, or require the credit union to divest or reduce its ownership interest in a CUSO; (3) Restricting dividends paid. Restrict the dividend rates that the credit union pays on shares as provided in § 702.202(b)(3); (4) Prohibiting or reducing asset growth. Prohibit any growth in the credit union’s assets or in a category of assets, or require the credit union to reduce assets or a category of assets; (5) Alter, reduce or terminate activity. Require the credit union or its CUSO(s) to alter, reduce, or terminate any activity which poses excessive risk to the credit union; (6) Prohibiting nonmember deposits. Prohibit the credit union from accepting all or certain nonmember deposits; (7) New election of directors. Order a new election of the credit union’s board of directors; (8) Dismissing director or senior executive officer. Require the credit union to dismiss from office any director or senior executive officer, provided however, that a dismissal under this clause shall not be construed to be a formal administrative action for removal under 12 U.S.C. 1786(g); (9) Employing qualified senior executive officer. Require the credit union to employ qualified senior executive officers (who, if the NCUA Board so specifies, shall be subject to its approval); (10) Restricting senior executive officers’ compensation. Except with the prior written approval of the NCUA Board, limit compensation to any senior executive officer to that officer’s average rate of compensation (excluding bonuses and profit sharing) during the four (4) calendar quarters preceding the effective date of classification of the credit union as ‘‘significantly undercapitalized,’’ and prohibit payment of a bonus or profit share to such officer; (11) Other actions to carry out prompt corrective action. Restrict or require such other action by the credit union as the NCUA Board determines will carry out the purpose of this part better than any of the actions prescribed in paragraphs (b)(1) through (10) of this section; and (12) Requiring merger. Require the credit union to merge with another financial institution if one or more grounds exist for placing the credit union into conservatorship pursuant to 12 U.S.C. 1786(h)(1)(F), or into liquidation pursuant to 12 U.S.C. 1787(a)(3)(A)(i). (c) Discretionary conservatorship or liquidation if no prospect of becoming ‘‘adequately capitalized.’’ Notwithstanding any other actions required or permitted to be taken under this section, when a credit union becomes ‘‘significantly undercapitalized’’ (including by reclassification under section 702.102(b) above), the NCUA Board may place the credit union into conservatorship pursuant to 12 U.S.C. 1786(h)(1)(F), or into liquidation pursuant to 12 U.S.C. 1787(a)(3)(A)(i), provided that the credit union has no reasonable prospect of becoming ‘‘adequately capitalized.’’
41		.204 – Prompt corrective action for “critically undercapitalized” credit unions.	X			§ 702.204 Prompt corrective action for ‘‘critically undercapitalized’’ credit unions. (a) Mandatory supervisory actions by credit union. A federally-insured credit union which is ‘‘critically undercapitalized’’ must— (1) Earnings retention. Increase net worth and transfer earnings to its regular reserve account in accordance with § 702.201; (2) Submit net worth restoration plan. Submit a net worth restoration plan pursuant to §702.206; (3) Restrict increase in assets. Not permit the credit union’s total assets to increase except as provided in § 702.202(a)(3); and (4) Restrict member business loans. Not increase the total dollar amount of member business loans (defined as loans outstanding and unused commitments to lend) as provided in § 702.202(a)(4). (b) Discretionary supervisory actions by NCUA. Subject to the applicable procedures for issuing, reviewing and enforcing directives set forth in subpart L of part 747 of this chapter, the NCUA Board may, by directive, take one or more of the following actions with respect to any ‘‘critically undercapitalized’’ credit union, or a director, officer or employee of such credit union, if it determines that those actions are necessary to carry out the purpose of this part: (1) Requiring prior approval for acquisitions, branching, new lines of business. Prohibit a credit union from, directly or indirectly, acquiring any interest in any business entity or financial institution, establishing or acquiring any additional branch office, or engaging in any new line of business, except as provided by §702.202(b) (1); (2) Restricting transactions with and ownership of CUSO. Restrict the credit union’s transactions with a CUSO, or require the credit union

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						to divest or reduce its ownership interest in a CUSO; (3) Restricting dividends paid. Restrict the dividend rates that the credit union pays on shares as provided in § 702.202(b)(3); (4) Prohibiting or reducing asset growth. Prohibit any growth in the credit union's assets or in a category of assets, or require the credit union to reduce assets or a category of assets; (5) Alter, reduce or terminate activity. Require the credit union or its CUSO(s) to alter, reduce, or terminate any activity which poses excessive risk to the credit union; (6) Prohibiting nonmember deposits. Prohibit the credit union from accepting all or certain nonmember deposits; (7) New election of directors. Order a new election of the credit union's board of directors; (8) Dismissing director or senior executive officer. Require the credit union to dismiss from office any director or senior executive officer, provided however, that a dismissal under this clause shall not be construed to be a formal administrative action for removal under 12 U.S.C. 1786(g); (9) Employing qualified senior executive officer. Require the credit union to employ qualified senior executive officers (who, if the NCUA Board so specifies, shall be subject to its approval); (10) Restricting senior executive officers' compensation. Reduce or, with the prior written approval of the NCUA Board, limit compensation to any senior executive officer to that officer's average rate of compensation (excluding bonuses and profit sharing) during the four (4) calendar quarters preceding the effective date of classification of the credit union as ''critically undercapitalized,'' and prohibit payment of a bonus or profit share to such officer; (11) Restrictions on payments on uninsured secondary capital. Beginning 60 days after the effective date of classification of a credit union as ''critically undercapitalized,'' prohibit payments of principal, dividends or interest on the credit union's uninsured secondary capital accounts established after August 7, 2000, except that unpaid dividends or interest shall continue to accrue under the terms of the account to the extent permitted by law; (12) Requiring prior approval. Require a ''critically undercapitalized'' credit union to obtain the NCUA Board's prior written approval before doing any of the following: (i) Entering into any material transaction not within the scope of an approved net worth restoration plan (or approved revised business plan under subpart C of this part); ii) Extending credit for transactions deemed highly leveraged by the NCUA Board or, if State-chartered, by the appropriate State official; (iii) Amending the credit union's charter or bylaws, except to the extent necessary to comply with any law, regulation, or order; (iv) Making any material change in accounting methods; and (v) Paying dividends or interest on new share accounts at a rate exceeding the prevailing rates of interest on insured deposits in its relevant market area(; (13) Other action to carry out prompt corrective action. Restrict or require such other action by the credit union as the NCUA Board determines will carry out the purpose of this part better than any of the actions prescribed in paragraphs (b)(1) through (12) of this section; and (14) Requiring merger. Require the credit union to merge with another financial institution if one or more grounds exist for placing the credit union into conservatorship pursuant to 12 U.S.C. 1786(h)(1)(F), or into liquidation pursuant to 12 U.S.C. 1787(a)(3)(A)(i). (c) Mandatory conservatorship, liquidation or action in lieu thereof—(1) Action within 90 days. Notwithstanding any other actions required or permitted to be taken under this section (and regardless of a credit union's prospect of becoming ''adequately capitalized''), the NCUA Board must, within 90 calendar days after the effective date of classification of a credit union as ''critically undercapitalized''— (i) Conservatorship. Place the credit union into conservatorship pursuant to 12 U.S.C. 1786(h)(1)(G); or (ii) Liquidation. Liquidate the credit union pursuant to 12 U.S.C. 1787(a)(3)(A)(ii); or (iii) Other corrective action. Take other corrective action, in lieu of conservatorship or liquidation, to better achieve the purpose of this part, provided that the NCUA Board documents why such action in lieu of conservatorship or liquidation would do so, provided however, that other corrective action may consist, in whole or in part, of complying with the quarterly timetable of steps and meeting the quarterly net worth targets prescribed in an approved net worth restoration plan. (2) Renewal of other corrective action. A determination by the NCUA Board to take other corrective action in lieu of conservatorship or liquidation under paragraph (c)(1)(iii) of this section shall expire after an effective period ending no later than 180 calendar days after the determination is made, and the credit union shall be immediately placed into conservatorship or liquidation under paragraphs (c)(1)(i) and (ii), unless the NCUA Board makes a new determination under paragraph (c)(1) (iii) of this section before the end of the effective period of the prior determination; (3) Mandatory liquidation after 18 months—(i) Generally. Notwithstanding paragraphs (c)(1) and (2) of this section, the NCUA Board must place a credit union into liquidation if it remains ''critically undercapitalized'' for a full calendar quarter, on a monthly average basis, following a period of 18 months from the effective date the credit union was first classified ''critically undercapitalized.'' (ii) Exception. Notwithstanding paragraph (c)(3)(i) of this section, the NCUA Board may continue to take other corrective action in lieu of liquidation if it certifies that the credit union— (A) Has been in substantial compliance with an approved net worth restoration plan requiring consistent improvement in net worth since the date the net worth restoration plan was approved; (B) Has positive net income or has an upward trend in earnings that the NCUA Board projects as sustainable; and (C) Is viable and not expected to fail. (iii) Review of exception. The NCUA Board shall, at least quarterly, review the certification of an exception to liquidation under paragraph (c)(3)(ii) of this section and shall either— (A) Recertify the credit union if it continues to satisfy the criteria of paragraph (c)(3)(ii) of this section; or (B) Promptly place the credit union into liquidation, pursuant to 12 U.S.C. 1787(a)(3)(A)(ii), if it fails to satisfy the criteria of paragraph (c)(3)(ii) of this section. (4) Non-delegation. The NCUA Board may not delegate its authority under paragraph (c) of this section, unless the credit union has less than $5,000,000 in total assets. A credit union shall have a right of direct appeal to the NCUA Board of any decision made by delegated authority under this section within ten (10) calendar days of the date of that decision. (d) Mandatory liquidation of insolvent federal credit union. In lieu of paragraph (c) of this section, a ''critically undercapitalized'' federal credit union that has a net worth ratio of less than zero percent (0%) may be placed into liquidation on grounds of insolvency pursuant to 12 U.S.C. 1787(a)(1)(A).
42		.205 – Consultation with State officials on proposed prompt corrective action.	X			§ 702.205 Consultation with State officials on proposed prompt corrective action. (a) Consultation on proposed conservatorship or liquidation. Before placing a federally-insured State chartered credit union into conservatorship (pursuant to 12 U.S.C. 1786(h)(1)(F) or (G)) or liquidation (pursuant to 12 U.S.C. 1787(a)(3)) as permitted or required under subparts B or C of this part to facilitate prompt corrective action— (1) The NCUA Board shall seek the views of the appropriate State official (as defined in § 702.2(b)), and give him or her an opportunity to take the proposed action; (2) The NCUA Board shall, upon timely request of the appropriate State official, promptly provide him or her with a written statement of the reasons for the proposed conservatorship or liquidation, and reasonable time to respond to that statement; and (3) If the appropriate State official makes a timely written response that disagrees with the proposed conservatorship or liquidation and gives reasons for that disagreement, the NCUA Board shall not place the credit union into conservatorship or liquidation unless it first considers the views of the appropriate State official and determines that— (i) The NCUSIF faces a significant risk of loss if the credit union is not placed into conservatorship or liquidation; and (ii) Conservatorship or liquidation is necessary either to reduce the risk of loss, or to reduce the expected loss, to the NCUSIF with respect to the credit union. (b) Non-delegation. The NCUA Board may not delegate any determination under paragraph (a)(3) of this section. (c) Consultation on proposed discretionary action. The NCUA Board shall consult and seek to work cooperatively with the appropriate State official before taking any discretionary supervisory action under §§702.202(b), 702.203(b), 702.204(b), 702.304(b) and 702.305(b) with respect to a federally-insured State-chartered credit union; shall provide prompt notice of its decision to the appropriate State official; and shall allow the appropriate State official to take the proposed action independently or jointly with NCUA.
43		.206 – Net worth restoration plans.	X			§ 702.206 Net worth restoration plans. (a) Schedule for filing—(1) Generally. A federally insured credit union shall file a written net worth restoration plan (NWRP) with the appropriate Regional Director and, if State-chartered, the appropriate State official, within 45 calendar days of the effective date of classification as either ''undercapitalized,'' ''significantly undercapitalized'' or ''critically undercapitalized,'' unless the NCUA Board notifies the credit union in writing that its NWRP is to be filed within a different period. (2) Exception. An otherwise ''adequately capitalized'' credit union that is reclassified ''undercapitalized'' on safety and soundness grounds under § 702.102(b) is not required to submit a NWRP solely due to the reclassification, unless the NCUA Board notifies the credit union that it must submit an NWRP. (3) Filing of additional plan. Notwithstanding paragraph (a)(1) of this section, a credit

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						union that has already submitted and is operating under a NWRP approved under this section is not required to submit an additional NWRP due to a change in net worth category (including by reclassification under § 702.102(b)), unless the NCUA Board notifies the credit union that it must submit a new NWRP. A credit union that is notified to submit a new or revised NWRP shall file the NWRP in writing with the appropriate Regional Director within 30 calendar days of receiving such notice, unless the NCUA Board notifies the credit union in writing that the NWRP is to be filed within a different period. (4) Failure to timely file plan. When a credit union fails to timely file an NWRP pursuant to this paragraph, the NCUA Board shall promptly notify the credit union that it has failed to file an NWRP and that it has 15 calendar days from receipt of that notice within which to file an NWRP. (b) Assistance to small credit unions. Upon timely request by a credit union having total assets of less than $10 million (regardless how long it has been in operation), the NCUA Board shall provide assistance in preparing an NWRP required to be filed under paragraph (a) of this section. (c) Contents of NWRP. An NWRP must— (1) Specify— (i) A quarterly timetable of steps the credit union will take to increase its net worth ratio so that it becomes ‘‘adequately capitalized’’ by the end of the term of the NWRP, and to remain so for four (4) consecutive calendar quarters. If ‘‘complex,’’ the credit union is subject to a risk-based net worth requirement that may require a net worth ratio higher than six percent (6%) to become ‘‘adequately capitalized;’’ (ii) The projected amount of earnings to be transferred to the regular reserve account in each quarter of the term of the NWRP as required under § 702.201(a), or as permitted under § 702.201(b); (iii) How the credit union will comply with the mandatory and any discretionary supervisory actions imposed on it by the NCUA Board under this subpart; (iv) The types and levels of activities in which the credit union will engage; and (v) If reclassified to a lower category under § 702.102(b), the steps the credit union will take to correct the unsafe or unsound practice(s) or condition(s); (2) Include pro forma financial statements, including any off-balance sheet items, covering a minimum of the next two years; and (3) Contain such other information as the NCUA Board has required. (d) Criteria for approval of NWRP. The NCUA Board shall not accept a NWRP plan unless it— (1) Complies with paragraph (c) of this section; (2) Is based on realistic assumptions, and is likely to succeed in restoring the credit union’s net worth; and (3) Would not unreasonably increase the credit union’s exposure to risk (including credit risk, interest-rate risk, and other types of risk). (e) Consideration of regulatory capital. To minimize possible long-term losses to the NCUSIF while the credit union takes steps to become ‘‘adequately capitalized,’’ the NCUA Board shall, in evaluating an NWRP under this section, consider the type and amount of any form of regulatory capital which may become established by NCUA regulation, or authorized by State law and recognized by NCUA, which the credit union holds, but which is not included in its net worth. (f) Review of NWRP—(1) Notice of decision. Within 45 calendar days after receiving an NWRP under this part, the NCUA Board shall notify the credit union in writing whether the NWRP has been approved, and shall provide reasons for its decision in the event of disapproval. (2) Delayed decision. If no decision is made within the time prescribed in paragraph (f)(1) of this section, the NWRP is deemed approved. (3) Consultation with State officials. In the case of an NWRP submitted by a federally-insured State-chartered credit union (whether an original, new, additional, revised or amended NWRP), the NCUA Board shall, when evaluating the NWRP, seek and consider the views of the appropriate State official, and provide prompt notice of its decision to the appropriate State official. (g) NWRP not approved (1) Submission of revised NWRP. If an NWRP is rejected by the NCUA Board, the credit union shall submit a revised NWRP within 30 calendar days of receiving notice of disapproval, unless it is notified in writing by the NCUA Board that the revised NWRP is to be filed within a different period. (2) Notice of decision on revised NWRP. Within 30 calendar days after receiving a revised NWRP under paragraph (g)(1) of this section, the NCUA Board shall notify the credit union in writing whether the revised NWRP is approved. The Board may extend the time within which notice of its decision shall be provided. (3) Disapproval of reclassified credit union’s NWRP. A credit union which has been classified ‘‘significantly undercapitalized’’ under § 702.102(a)(4)(ii) shall remain so classified pending NCUA Board approval of a new or revised NWRP. (h) Amendment of NWRP. A credit union that is operating under an approved NWRP may, after prior written notice to, and approval by the NCUA Board, amend its NWRP to reflect a change in circumstance. Pending approval of an amended NWRP, the credit union shall implement the NWRP as originally approved. (i) Publication. An NWRP need not be published to be enforceable because publication would be contrary to the public interest..
44	**Subpart C – Alternative Prompt Corrective Action for New Credit Unions**	**.301 – Scope and definition**			44	
45		.302 – Net worth categories for new credit unions.	X			§ 702.302 Net worth categories for new credit unions. (a) Net worth measures. For purposes of this part, a new credit union must determine its net worth category classification quarterly according to its net worth ratio as defined in §702.2(g). (b) Effective date of net worth classification of new credit union. For purposes of subpart C, the effective date of a new federally-insured credit union’s classification within a net worth category in paragraph (c) of this section shall be determined as provided in § 702.101(b); and written notice to the NCUA Board of a decline in net worth category in paragraph (c) of this section shall be given as required by section 702.101(c). (c) Net worth categories. A federally-insured credit union defined as ‘‘new’’ under this section shall be classified (Table 6)— (1) Well capitalized if it has a net worth ratio of seven percent (7%) or greater; (2) Adequately capitalized if it has a net worth ratio of six percent (6%) or more but less than seven percent (7%); (3) Moderately capitalized if it has a net worth ratio of three and one-half percent (3.5%) or more but less than six percent (6%); (4) Marginally capitalized if it has a net worth ratio of two percent (2%) or more but less than three and one-half percent (3.5%); (5) Minimally capitalized if it has a net worth ratio of zero percent (0%) or greater but less than two percent (2%); and (6) Uncapitalized if it has a net worth ratio of less than zero percent (0%) (e.g., a deficit in retained earnings). Table 6—Net Worth Category Classification for “New” Credit Unions A “new” credit union is net worth category is… if its net worth ratio is… “Well Capitalized” 7% or above “Adequately Capitalized” 6% to 6.99%, “Moderately Capitalized” 3.5% to 5.99%, “Marginally Capitalized” 2% to 3.49%, “Minimally Capitalized” 0% to 1.99%, “Uncapitalized” Less than 0%, (d) Reclassification based on supervisory criteria other, than net worth. Subject to § 702.102(b) and (c), the NCUA Board may reclassify a ‘‘well capitalized,’’ ‘‘adequately capitalized’’ or ‘‘moderately capitalized’’ new credit union to the next lower net worth category (each of such actions is hereinafter referred to generally as ‘‘reclassification’’) in either of the circumstances prescribed in § 702.102(b). (e) Consultation with State officials. The NCUA Board shall consult and seek to work cooperatively with the appropriate State official before reclassifying a federally insured State-chartered credit union under paragraph (d) of this section, and shall promptly notify the appropriate State official of its decision to reclassify.
46		.303 – Prompt corrective action for “adequately capitalized” new credit unions.	X			§ 702.303 Prompt corrective action for ‘‘adequately capitalized’’ new credit unions. Beginning on the effective date of classification, an ‘‘adequately capitalized’’ new credit union must increase the dollar amount of its net worth by the amount reflected in its approved initial or revised business plan in accordance with § 702.304(a)(2), or in the absence of such a plan, in accordance with § 702.201, and quarterly transfer that amount from undivided earnings to its regular reserve account, until it is ‘‘well capitalized.’’

#	NCUA Regulation	Part	Insurance Regulatory Related	Non-Insurance and Consumer Regulatory Related	Description	Rule/Regulation
47		.304 -Prompt corrective action for ‘‘moderately capitalized,’’ ‘‘marginally capitalized’’ or ‘‘minimally capitalized’’ new credit unions.	X			§ 702.304 Prompt corrective action for ‘‘moderately capitalized,’’ ‘‘marginally capitalized’’ or ‘‘minimally capitalized’’ new credit unions. (a) Mandatory supervisory actions by new credit union. Beginning on the date of classification as ‘‘moderately capitalized,’’ ‘‘marginally capitalized’’ or ‘‘minimally capitalized’’ (including by reclassification under § 702.302(d)), a new credit union must— (1) Earnings retention. Increase the dollar amount of its net worth by the amount reflected in its approved initial or revised business plan and quarterly transfer that amount from undivided earnings to its regular reserve account; (2) Submit revised business plan. Submit a revised business plan within the time provided by § 702.306 if the credit union either: (i) Has not increased its net worth ratio consistent with its then-present approved business plan; (ii) Has no then-present approved business plan; or (iii) Has failed to comply with paragraph (a)(3) of this section; and (3) Restrict member business loans. Not increase the total dollar amount of member business loans (defined as loans outstanding and unused commitments to lend) as of the preceding quarter-end unless it is granted an exception under 12 U.S.C. 1757(a)(b). (b) Discretionary supervisory actions by NCUA. Subject to the applicable procedures set forth in subpart L of part 747 of this chapter for issuing, reviewing and enforcing directives, the NCUA Board may, by directive, take one or more of the actions prescribed in § 702.204(b) if the credit union’s net worth ratio has not increased consistent with its then-present business plan, or the credit union has failed to undertake any mandatory supervisory action prescribed in paragraph (a) of this section. (c) Discretionary conservatorship or liquidation. Notwithstanding any other actions required or permitted to be taken under this section, the NCUA Board may place a new credit union which is ‘‘moderately capitalized,’’ ‘‘marginally capitalized’’ or ‘‘minimally capitalized’’ (including by reclassification under § 702.302(d)) into conservatorship pursuant to 12 U.S.C. 1786(h)(1)(F), or into liquidation pursuant to 12 U.S.C. 1787(a)(3)(A)(i), provided that the credit union has no reasonable prospect of becoming ‘‘adequately capitalized.’’
48		.305 – Prompt corrective action for ‘‘uncapitalized’’ new credit unions.	X			§ 702.305 Prompt corrective action for ‘‘uncapitalized’’ new credit unions. (a) Mandatory supervisory actions by new credit union. Beginning on the effective date of classification as ‘‘uncapitalized,’’ a new credit union must— (1) Earnings retention. Increase the dollar amount of its net worth by the amount reflected in the credit union’s approved initial or revised business plan; (2) Submit revised business plan. Submit a revised business plan within the time provided by § 702.306, providing for alternative means of funding the credit union’s earnings deficit, if the credit union either: (i) Has not increased its net worth ratio consistent with its then-present approved business plan; (ii) Has no then-present approved business plan; or (iii) Has failed to comply with paragraph (a)(3) of this section; and (3) Restrict member business loans. Not increase the total dollar amount of member business loans as provided in § 702.304(a)(3). (b) Discretionary supervisory actions by NCUA. Subject to the procedures set forth in subpart L of part 747 of this chapter for issuing, reviewing and enforcing directives, the NCUA Board may, by directive, take one or more of the actions prescribed in § 702.204(b) if the credit union’s net worth ratio has not increased consistent with its then present business plan, or the credit union has failed to undertake any mandatory supervisory action prescribed in paragraph (a) of this section. (c) Mandatory liquidation or conservatorship. Notwithstanding any other actions required or permitted to be taken under this section, the NCUA Board— (1) Plan not submitted. May place into liquidation pursuant to 12 U.S.C. 1787(a)(3)(A)(ii), or conservatorship pursuant to 12 U.S.C. 1786(h)(1)(F), an ‘‘uncapitalized’’ new credit union which fails to submit a revised business plan within the time provided under paragraph (a)(2) of this section; or (2) Plan rejected, approved, implemented. Except as provided in paragraph (c)(3) of this section, must place into liquidation pursuant to 12 U.S.C. 1787(a)(3)(A) (ii), or conservatorship pursuant to 12 U.S.C. 1786(h) (1)(F), an ‘‘uncapitalized’’ new credit union that remains ‘‘uncapitalized’’ one hundred twenty (120) calendar days after the later of: (i) The effective date of classification as ‘‘uncapitalized;’’ or (ii) The last day of the calendar month following expiration of the time period provided in the credit union’s initial business plan (approved at the time its charter was granted) to remain ‘‘uncapitalized,’’ regardless whether a revised business plan was rejected, approved or implemented. (3) Exception. The NCUA Board may decline to place a new credit union into liquidation or conservatorship as provided in paragraph (c)(2) of this section if the credit union documents to the NCUA Board why it is viable and has a reasonable prospect of becoming ‘‘adequately capitalized.’’ (d) Mandatory liquidation of ‘‘uncapitalized’’ federal credit union. In lieu of paragraph (c) of this section, an ‘‘uncapitalized’’ federal credit union may be placed into liquidation on grounds of insolvency pursuant to 12 U.S.C. 1787(a)(1)(A).
49		.306 – Revised business plans for new credit unions.	X			§ 702.306 Revised business plans for new credit unions. (a) Schedule for filing—(1) Generally. Except as provided in paragraph (a)(2) of this section, a new credit union classified ‘‘moderately capitalized’’ or lower must file a written revised business plan (RBP) with the appropriate Regional Director and, if State-chartered, with the appropriate State official, within 30 calendar days of either: (i) The last of the calendar month following the end of the calendar quarter that the credit union’s net worth ratio has not increased consistent with its the-present approved business plan; (ii) The effective date of classification as less than ‘‘adequately capitalized’’ if the credit union has no then present approved business plan; or (iii) The effective date of classification as less than ‘‘adequately capitalized’’ if the credit union has increased the total amount of member business loans in violation of § 702.304(a)(3).(2) Exception. The NCUA Board may notify the credit union in writing that its RBP is to be filed within a different period or that it is not necessary to file an RBP. (3) Failure to timely file plan. When a new credit union fails to file an RBP as provided under paragraphs (a)(1) or (a)(2) of this section, the NCUA Board shall promptly notify the credit union that it has failed to file an RBP and that it has 15 calendar days from receipt of that notice within which to do so. (b) Contents of revised business plan. A new credit union’s RBP must, at a minimum— (1) Address changes, since the new credit union’s current business plan was approved, in any of the business plan elements required for charter approval under Chapter 1, section IV.D. of NCUA’s Chartering and Field of Membership Manual (IRPS 99–1), 63 FR 71998, 72019 (Dec. 30, 1998), or its successor(s), or for State-chartered credit unions under applicable State law; (2) Establish a timetable of quarterly targets for net worth during each year in which the RBP is in effect so that the credit union becomes ‘‘adequately capitalized’’ by the time it no longer qualifies as ‘‘new’’ per § 702.301(b); (3) Specify the projected amount of earnings to be transferred quarterly to its regular reserve as provided under § 702.304(a)(1) or 702.305(a)(1); (4) Explain how the new credit union will comply with the mandatory and discretionary supervisory actions imposed on it by the NCUA Board under this subpart; (5) Specify the types and levels of activities in which the new credit union will engage; (6) In the case of a new credit union reclassified to a lower category under § 702.302(d), specify the steps the credit union will take to correct the unsafe or unsound condition or practice; and (7) Include such other information as the NCUA Board may require. (c) Criteria for approval. The NCUA Board shall not approve a new credit union’s RBP unless it— (1) Addresses the items enumerated in paragraph (b) of this section; (2) Is based on realistic assumptions, and is likely to succeed in building the credit union’s net worth; and (3) Would not unreasonably increase the credit union’s exposure to risk (including credit risk, interest-rate risk, and other types of risk). (d) Consideration of regulatory capital. To minimize possible long-term losses to the NCUSIF while the credit union takes steps to become ‘‘adequately capitalized,’’ the NCUA Board shall, in evaluating an RBP under this section, consider the type and amount of any form of regulatory capital which may become established by NCUA regulation, or authorized by State law and recognized by NCUA, which the credit union holds, but which is not included in its net worth. (e) Review of revised business plan— (1) Notice of decision. Within 30 calendar days after receiving an RBP under this section, the NCUA Board shall notify the credit union in writing whether its RBP is approved, and shall provide reasons for its decision in the event of disapproval. The NCUA Board may extend the time within which notice of its decision shall be provided. (2) Delayed decision. If no decision is made within the time prescribed in paragraph (e)(1) of this section, the RBP is deemed approved. (3) Consultation with State officials. When evaluating an RBP submitted by a federally-insured State-chartered new credit union (whether an original, new or additional RBP), the NCUA Board shall seek and consider the views of the appropriate State official, and provide prompt notice of its decision to the appropriate State official. (f) Plan not approved—(1) Submission of new revised plan. If an RBP is rejected by the NCUA Board, the new credit union shall submit a new RBP within 30 calendar days of receiving notice of disapproval of its initial RBP, unless it is notified in writing by the NCUA Board that the new RBP is to be filed within a different period. (2) Notice of decision on revised plan. Within 30 calendar days after receiving an RBP under

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						paragraph (f) (1) of this section, the NCUA Board shall notify the credit union in writing whether the new RBP is approved. The Board may extend the time within which notice of its decision shall be provided. (g) Amendment of plan. A credit union that has filed an approved RBP may, after prior written notice to and approval by the NCUA Board, amend it to reflect a change in circumstance. Pending approval of an amended RBP, the new credit union shall implement its existing RBP as originally approved. (h) Publication. An RBP need not be published to be enforceable because publication would be contrary to the public interest.
50		.307 – Incentives for new credit unions.	X			§ 702.307 Incentives for new credit unions. (a) Assistance in revising business plans. Upon timely request by a credit union having total assets of less than $10 million (regardless how long it has been in operation), the NCUA Board shall provide assistance in preparing a revised business plan required to be filed under §702.306. (b) Assistance. Management training and other assistance to new credit unions will be provided in accordance with policies approved by the NCUA Board. (c) Small credit union program. A new credit union is eligible to join and receive comprehensive benefits and assistance under NCUA's Small Credit Union Program.
51	**Subpart- D Reserves.**	**.401 – Reserves**				
52		.402 Full and fair disclosure of financial condition.	X			§ 702.402 Full and fair disclosure of financial condition.(a) Full and fair disclosure defined. ''Full and fair disclosure'' is the level of disclosure which a prudent person would provide to a member of a federally-insured credit union, to NCUA, or, at the discretion of the board of directors, to creditors to fairly inform them of the financial condition and the results of operations of the credit union. (b) Full and fair disclosure implemented. The financial statements of a federally-insured credit union shall provide for full and fair disclosure of all assets, liabilities, and members' equity, including such valuation (allowance) accounts as may be necessary to present fairly the financial condition; and all income and expenses necessary to present fairly the statement of income for the reporting period. (c) Declaration of officials. The Statement of Financial Condition, when presented to members, to creditors or to the NCUA, shall contain a dual declaration by the treasurer and the chief executive officer, or in the latter's absence, by any other officer designated by the board of directors of the reporting credit union to make such declaration, that the report and related financial statements are true and correct to the best of their knowledge and belief and present fairly the financial condition and the statement of income for the period covered. (d) Charges for loan losses. Full and fair disclosure demands that a credit union properly address charges for loan losses as follows: (1) Charges for loan losses shall be made in accordance with generally accepted accounting principles (GAAP); (2) The allowance for loan and lease losses (ALL) established for loans must fairly present the probable losses for all categories of loans and the proper valuation of loans. The valuation allowance must encompass specifically identified loans, as well as estimated losses inherent in the loan portfolio, such as loans and pools of loans for which losses have been incurred but are not identifiable on a specific loan-by-loan basis; (3) Adjustments to the valuation ALL will be recorded in the expense account ''Provision for Loan and Lease Losses;'' (4) The maintenance of an ALL shall not affect the requirement to transfer earnings to a credit union's regular reserve when required under subparts B or C of this part; and (5) At a minimum, adjustments to the ALL shall be made prior to the distribution or posting of any dividend to the accounts of members.
53		.403 – Payment of dividends.	X			§ 702.403 Payment of dividends.(a) Restriction on dividends. Dividends shall be available only from undivided earnings, if any.(b) Payment of dividends if undivided earnings depleted. The board of directors of a ''well capitalized'' federally insured credit union that has depleted the balance of its undivided earnings account may authorize a transfer of funds from the credit union's regular reserve account to undivided earnings to pay dividends, provided that either— (1) The payment of dividends will not cause the credit union's net worth classification to fall below ''adequately capitalized'' under subpart B or C of this part; or (2) If the payment of dividends will cause the net worth classification to fall below ''adequately capitalized,'' the appropriate Regional Director and, if State-chartered, the appropriate State official, have given prior written approval (in an NWRP or otherwise) to pay a dividend.
54	**§703 – Investment and Deposit Activities**	**.1 – Purpose and scope.**			**This part of NCUAs regulations deal with investment and deposit permissions of FCU's and the compliance or non-compliance with this section impacts either directly, or indirectly, the financial condition of the credit union.**	
55		.2 – Definitions				
56		.3 – Investment policies	X			§ 703.3 Investment policies. A Federal credit union's board of directors must establish written investment policies consistent with the Act, this part, and other applicable laws and regulations and must review the policy at least annually. These policies may be part of a broader, asset-liability management policy. Written investment policies must address the following: (a) The purposes and objectives of the Federal credit union's investment activities; (b) The characteristics of the investments the Federal credit union may make including the issuer, maturity, index, cap, floor, coupon rate, coupon formula, call provision, average life, and interest rate risk; (c) How the Federal credit union will manage interest rate risk; (d) How the Federal credit union will manage liquidity risk; (e) How the Federal credit union will manage credit risk including specifically listing institutions, issuers, and counterparties that may be used, or criteria for their selection, and limits on the amounts that may be invested with each; (f) How the Federal credit union will manage concentration risk, which can result from dealing with a single or related issuers, lack of geographic distribution, holding obligations with similar characteristics like maturities and indexes, holding bonds having the same trustee, and holding securitized loans having the same originator, packager, or guarantor; (g) Who has investment authority and the extent of that authority. Those with authority must be qualified by education or experience to assess the risk characteristics of investments and investment transactions. Only officials or employees of the Federal credit union may be voting members of an investment-related committee; (h) The broker-dealers the Federal credit union may use; (i) The safekeepers the Federal credit union may use; (j) How the Federal credit union will handle an investment that, after purchase, is outside of board policy or fails a requirement of this part; and (k) How the Federal credit union will conduct investment trading activities, if applicable, including addressing: (1) Who has purchase and sale authority; (2) Limits on trading account size; (3) Allocation of cash flow to trading accounts; (4) Stop loss or sale provisions; (5) Dollar size limitations of specific types,

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						quantity and maturity to be purchased; (6) Limits on the length of time an investment may be inventoried in a trading account; and (7) Internal controls, including segregation of duties.		
57		.4 – recordkeeping and documentation requirements	X			§ 703.4 Recordkeeping and documentation requirements. (a) Federal credit unions with assets of $10,000,000 or greater must comply with all generally accepted accounting principles applicable to reports or statements required to be filed with NCUA. Federal credit unions with assets less than $10,000,000 are encouraged to do the same, but are not required to do so. (b) A Federal credit union must maintain documentation for each investment transaction for as long as it holds the investment and until the documentation has been audited in accordance with § 715.4 of this chapter and examined by NCUA. The documentation should include, where applicable, bids and prices at purchase and sale and for periodic updates, relevant disclosure documents or a description of the security from an industry-recognized information provider, financial data, and tests and reports required by the Federal credit union's investment policy and this part. (c) A Federal credit union must maintain documentation its board of directors used to approve a broker-dealer or a safekeeper for as long as the broker-dealer or safekeeper is approved and until the documentation has been audited in accordance with § 715.4 of this chapter and examined by NCUA. (d) A Federal credit union must obtain an individual confirmation statement from each broker-dealer for each investment purchased or sold.		
58		.5 – Discretionary control over Investments and investment advisers.	X			§ 703.5 Discretionary control over investments and investment advisers. (a) Except as provided in paragraph (b) of this section, a Federal credit union must retain discretionary control over its purchase and sale of investments. A Federal credit union has not delegated discretionary control to an investment adviser when the Federal credit union reviews all recommendations from investment advisers and is required to authorize a recommended purchase or sale transaction before its execution. (b)(1) A Federal credit union may delegate discretionary control over the purchase and sale of investments to a person other than a Federal credit union official or employee: (i) Provided the person is an investment adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940 (15 U.S.C. 80b); and (ii) In an amount up to 100 percent of its net worth in the aggregate at the time of delegation. (2) At least annually, the Federal credit union must adjust the amount of funds held under discretionary control to comply with the 100 percent of net worth cap. The Federal credit union's board of directors must receive notice as soon as possible, but no later than the next regularly scheduled board meeting, of the amount exceeding the net worth cap and notify in writing the appropriate regional director within 5 days after the board meeting. The credit union must develop a plan to comply with the cap within a reasonable period of time. (3) Before transacting business with an investment adviser, a Federal credit union must analyze his or her background and information available from State or Federal securities regulators, including any enforcement actions against the adviser, associated personnel, and the firm for which the adviser works. (c) A Federal credit union may not compensate an investment adviser with discretionary control over the purchase and sale of investments on a per transaction basis or based on capital gains, capital appreciation, net income, performance relative to an index, or any other incentive basis. (d) A Federal credit union must obtain a report from its investment adviser at least monthly that details the investments under the adviser's control and their performance.		
59		.6 – Credit Analysis	X			§ 703.6 Credit analysis. A Federal credit union must conduct and document a credit analysis on an investment and the issuing entity before purchasing it, except for investments issued or fully guaranteed as to principal and interest by the U.S. government or its agencies, enterprises, or corporations or fully insured (including accumulated interest) by the National Credit Union Administration or the Federal Deposit Insurance Corporation. A Federal credit union must update this analysis at least annually for as long as it holds the investment.		
60		.7 – Notice of non-compliant investments	X			§ 703.7 Notice of non-compliant investments. A Federal credit union's board of directors must receive notice as soon as possible, but no later than the next regularly scheduled board meeting, of any investment that either is outside of board policy after purchase or has failed a requirement of this part. The board of directors must document its action regarding the investment in the minutes of the board meeting, including a detailed explanation of any decision not to sell it. The Federal credit union must notify in writing the appropriate regional director of an investment that has failed a requirement of this part within 5 days after the board meeting.		
61		.8 – Broker-dealers	X			§ 703.8 Broker-dealers. (a) A Federal credit union may purchase and sell investments through a broker-dealer as long as the broker dealer is registered as a broker-dealer with the Securities and Exchange Commission under the Securities Exchange Act of 1934 (15U.S.C. 78a et seq.) or is a depository institution whose broker-dealer activities are regulated by a Federal or State regulatory agency. (b) Before purchasing an investment through a broker dealer, a Federal credit union must analyze and annually update the following: (1) The background of any sales representative with whom the Federal credit union is doing business; (2) Information available from State or Federal securities regulators and securities industry self-regulatory organizations, such as the National Association of Securities Dealers and the North American Securities Administrators Association, about any enforcement actions against the broker-dealer, its affiliates, or associated personnel; and (3) If the broker-dealer is acting as the Federal credit union's counterparty, the ability of the broker-dealer and its subsidiaries or affiliates to fulfill commitments, as evidenced by capital strength, liquidity, and operating results. The Federal credit union should consider current financial data, annual reports, reports of nationally recognized statistical rating organizations, relevant disclosure documents, and other sources of financial information. (c) The requirements of paragraph (a) of this section do not apply when the Federal credit union purchases a certificate of deposit or share certificate directly from a bank, credit union, or other depository institution.	C	
62		.9 – Safekeeping of investments	X			§ 703.9 Safekeeping of investments. (a) A Federal credit union's purchased investments and repurchase collateral must be in the Federal credit union's possession, recorded as owned by the Federal credit union through the Federal Reserve Book-Entry System, or held by a board-approved safekeeper under a written custodial agreement that requires the safekeeper to exercise, at least, ordinary care. (b) Any safekeeper used by a Federal credit union must be regulated and supervised by either the Securities and Exchange Commission, a Federal or State depository institution regulatory agency, or a State trust company regulatory agency. (c) A Federal credit union must obtain and reconcile monthly a statement of purchased investments and repurchase collateral held in safekeeping. (d) Annually, the Federal credit union must analyze the ability of the safekeeper to fulfill its custodial responsibilities, as evidenced by capital strength, liquidity, and operating results. The Federal credit union should consider current financial data, annual reports, reports of nationally-recognized statistical rating organizations, relevant disclosure documents, and other sources of financial information.	C	
63		.10 – Monitoring non-security investments	X			§ 703.10 Monitoring non-security investments. (a) At least quarterly, a Federal credit union must prepare a written report listing all of its shares and deposits in banks, credit unions, and other depository institutions, that have one or more of the following features: (1) Embedded options; (2) Remaining maturities greater than 3 years; or (3) Coupon formulas that are related to more than one index or are inversely related to, or multiples of, an index. (b) The requirement of paragraph (a) of this section does not apply to shares and deposits that are securities. (c) If a Federal credit union does not have an investment related committee, then each member of its board of directors	C	

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						must receive a copy of the report described in paragraph (a) of this section. If a Federal credit union has an investment-related committee, then each member of the committee must receive a copy of the report, and each member of the board must receive a summary of the information in the report.		
64		.11- Valuing securities	X			§ 703.11 Valuing securities. (a) Before purchasing or selling a security, a Federal credit union must obtain either price quotations on the security from at least two broker-dealers or a price quotation on the security from an industry-recognized information provider. This requirement to obtain price quotations does not apply to new issues purchased at par or at original issue discount. (b) At least monthly, a Federal credit union must determine the fair value of each security it holds. It may determine fair value by obtaining a price quotation on the security from an industry-recognized information provider, a broker-dealer, or a safekeeper. (c) At least annually, the Federal credit union's supervisory committee or its external auditor must independently assess the reliability of monthly price quotations received from a broker-dealer or safekeeper. The Federal credit union's supervisory committee or external auditor must follow generally accepted auditing standards, which require either re-computation or reference to market quotations. (d) If a Federal credit union is unable to obtain a price quotation required by this section for a particular security, then it may obtain a quotation for a security with substantially similar characteristics.	C	
65		.12 – Monitoring securities	X			§ 703.12 Monitoring securities. (a) At least monthly, a Federal credit union must prepare a written report setting forth, for each security held, the fair value and dollar change since the prior month-end, with summary information for the entire portfolio. (b) At least quarterly, a Federal credit union must prepare a written report setting forth the sum of the fair values of all fixed and variable rate securities held that have one or more of the following features: (1) Embedded options; (2) Remaining maturities greater than 3 years; or (3) Coupon formulas that are related to more than one index or are inversely related to, or multiples of, an index. (c) Where the amount calculated in paragraph (b) of this section is greater than a Federal credit union's net worth, the report described in that paragraph must provide a reasonable and supportable estimate of the potential impact, in percentage and dollar terms, of an immediate and sustained parallel shift in market interest rates of plus and minus 300 basis points on: (1) The fair value of each security in the Federal credit union's portfolio; (2) The fair value of the Federal credit union's portfolio as a whole; and (3) The Federal credit union's net worth. (d) If the Federal credit union does not have an investment-related committee, then each member of its board of directors must receive a copy of the reports described in paragraphs (a) through (c) of this section. If the Federal credit union has an investment-related committee, then each member of the committee must receive copies of the reports, and each member of the board of directors must receive a summary of the information in the reports.	C	
66		.13 – Permissible investment activities	X			§ 703.13 Permissible investment activities. (a) Regular way settlement and delivery versus payment basis. A Federal credit union may only contract for the purchase or sale of a security as long as the delivery of the security is by regular way settlement and the transaction is accomplished on a delivery versus payment basis. (b) Federal funds. A Federal credit union may sell Federal funds to an institution described in Section 107(8) of the Act and credit unions, as long as the interest or other consideration received from the financial institution is at the market rate for Federal funds transactions. (c) Investment re-purchase transaction. A Federal credit union may enter into an investment repurchase transaction so long as: (1) Any securities the Federal credit union receives are permissible investments for Federal credit unions, the Federal credit union, or its agent, either takes physical possession or control of the repurchase securities or is recorded as owner of them through the Federal Reserve Book Entry Securities Transfer System, the Federal credit union, or its agent, receives a daily assessment of their market value, including accrued interest, and the Federal credit union maintains adequate margins that reflect a risk assessment of the securities and the term of the transaction; and (2) The Federal credit union has entered into signed contracts with all approved counterparties. (d) Borrowing re-purchase transaction. A Federal credit union may enter into a borrowing repurchase transaction so long as: (1) The transaction meets the requirements of paragraph (c) of this section; (2) Any cash the Federal credit union receives is subject to the borrowing limit specified in Section 107(9) of the Act, and any investments the Federal credit union purchases with that cash are permissible for Federal credit unions; and (3) The investments referenced in paragraph (d)(2) of this section mature no later than the maturity of the borrowing repurchase transaction. (e) Securities lending transaction. A Federal credit union may enter into a securities lending transaction so long as: (1) The Federal credit union receives written confirmation of the loan; (2) Any collateral the Federal credit union receives is a legal investment for Federal credit unions, the Federal credit union, or its agent, obtains a first priority security interest in the collateral by taking physical possession or control of the collateral, or is recorded as owner of the collateral through the Federal Reserve Book Entry Securities Transfer System; and the Federal credit union, or its agent, receives a daily assessment of the market value of the collateral, including accrued interest, and maintains adequate margin that reflects a risk assessment of the collateral and the term of the loan; (3) Any cash the Federal credit union receives is subject to the borrowing limit specified in Section 107(9) of the Act, and any investments the Federal credit union purchases with that cash are permissible for Federal credit unions and mature no later than the maturity of the transaction; and (4) The Federal credit union has executed a written loan and security agreement with the borrower. (f)(1) Trading securities. A Federal credit union may trade securities, including engaging in when-issued trading and pair-off transactions, so long as the Federal credit union can show that it has sufficient resources, knowledge, systems, and procedures to handle the risks. (2) A Federal credit union must record any security it purchases or sells for trading purposes at fair value on the trade date. The trade date is the date the Federal credit union commits, orally or in writing, to purchase or sell a security. (3) At least monthly, the Federal credit union must give its board of directors or investment-related committee a written report listing all purchase and sale transactions of trading securities and the resulting gain or loss on an individual basis.		
67		.14 – Permissible investments	X			§ 703.14 Permissible investments. (a) Variable rate investment. A Federal credit union may invest in a variable rate investment, as long as the index is tied to domestic interest rates and not, for example, to foreign currencies, foreign interest rates, or domestic or foreign commodity prices, equity prices, or inflation rates. For purposes of this part, the U.S. dollar-denominated London Interbank Offered Rate (LIBOR) is a domestic interest rate. (b) Corporate credit union shares or deposits. A Federal credit union may purchase shares or deposits in a corporate credit union, except where the NCUA Board has notified it that the corporate credit union is not operating in compliance with part 704 of this chapter. A Federal credit union's aggregate amount of paid-in capital and membership capital, as defined in part 704 of this chapter, in one corporate credit union is limited to two percent of its assets measured at the time of investment or adjustment. A Federal credit union's aggregate amount of paid-in capital and membership capital in all corporate credit unions is limited to four percent of its assets measured at the time of investment or adjustment. (c) Registered investment company. A Federal credit union may invest in a registered investment company or collective investment fund, as long as the prospectus of the company or fund restricts the investment portfolio to investments and investment transactions that are permissible for Federal credit unions. (d) Collateralized mortgage obligation/real		

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						estate mortgage investment conduit. A Federal credit union may invest in a fixed or variable rate collateralized mortgage obligation/real estate mortgage investment conduit. (e) Municipal security. A Federal credit union may purchase and hold a municipal security, as defined in Section 107(7)(K) of the Act, only if a nationally recognized statistical rating organization has rated it in one of the four highest rating categories. (f) Instruments issued by institutions described in Section 107(8) of the Act. A Federal credit union may invest in the following instruments issued by an institution described in Section 107(8) of the Act: (1) Yankee dollar deposits; (2) Eurodollar deposits; (3) Banker's acceptances; (4) Deposit notes; and (5) Bank notes with original weighted average maturities of less than 5 years. (g) European financial options contract. A Federal credit union may purchase a European financial options contract or a series of European financial options contracts only to fund the payment of dividends on member share certificates where the dividend rate is tied to an equity index provided: (1) The option and dividend rate are based on a domestic equity index; (2) Proceeds from the options are used only to fund dividends on the equity-linked share certificates; (3) Dividends on the share certificates are derived solely from the change in the domestic equity index over a specified period; (4) The options' expiration dates are no later than the maturity date of the share certificate. (5) The certificate may be redeemed prior to the maturity date only upon the member's death or termination of the corresponding option; (6) The total costs associated with the purchase of the option is known by the Federal credit union prior to effecting the transaction; (7) The options are purchased at the same time the certificate is issued to the member. (8) The counterparty to the transaction is a domestic counterparty and has been approved by the Federal credit union's board of directors; (9) The counterparty to the transaction: (i) Has a long-term, senior, unsecured debt rating from a nationally-recognized statistical rating organization of AA- (or equivalent) or better at the time of the transaction, and the contract between the counterparty and the Federal credit union specifies that if the long-term, senior, unsecured debt rating declines below AA-(or equivalent) then the counterparty agrees to post collateral with an independent party in an amount fully securing the value of the option; or (ii) Posts collateral with an independent party in an amount fully securing the value of the option if the counterparty does not have a long-term, senior unsecured debt rating from a nationally-recognized statistical rating organization. (10) Any collateral posted by the counterparty is a permissible investment for Federal credit unions and is valued daily by an independent third party along with the value of the option; (11) The aggregate amount of equity-linked member share certificates does not exceed the credit union's net worth; (12) The terms of the share certificate include a guarantee that there can be no loss of principal to the member regardless of changes in the value of the option unless the certificate is redeemed prior to maturity; and (13) The Federal credit union provides its board of directors with a monthly report detailing at a minimum: (i) The dollar amount of outstanding equity-linked share certificates; (ii) Their maturities; and (iii) The fair value of the options as determined by an independent third party. (h) Mortgage note repurchase transactions. A federal credit union may invest in securities that are offered and sold pursuant to section 4(5) of the Securities Act of 1933, 15 U.S.C. 77d(5), only as a part of an investment repurchase agreement under §703.13(c), subject to the following conditions: (1) The aggregate of the investments with any one counterparty is limited to 25 percent of the credit union's net worth and 100 percent of its net worth with all counterparties; (2) At the time a federal credit union purchases the securities, the counterparty, or a party fully guaranteeing the transaction, must have outstanding debt with a long-term rating no lower than A- or its equivalent and outstanding debt with a short-term rating, if any, no lower than A-1 or its equivalent; (3) The federal credit union must obtain a daily assessment of the market value of the securities under §703.13(c)(1) using an independent qualified agent; (4) The mortgage note repurchase transaction is limited to a maximum term of 90 days; (5) All mortgage note repurchase transactions will be conducted under tri-party custodial agreements; and (6) A federal credit union must obtain an undivided interest in the securities.
68		.15 – Prohibited investment activities	X			§ 703.15 Prohibited investment activities. Adjusted trading or short sales. A Federal credit union may not engage in adjusted trading or short sales.
69		.16 – Prohibited investments	X			§ 703.16 Prohibited investments. (a) Derivatives. A Federal credit union may not purchase or sell financial derivatives, such as futures, options, interest rate swaps, or forward rate swaps. This prohibition does not apply to: (1) Any derivatives permitted under §§ 701.21(i) and 703.14(g) of this chapter; (2) Embedded options not required under GAAP to be accounted for separately from the host contract; and (3) Interest rate lock commitments or forward sales commitments made in connection with a loan originated by the Federal credit union. (b) Zero coupon investments. A Federal credit union may not purchase a zero coupon investment with a maturity date that is more than 10 years from the settlement date; (c) Mortgage servicing rights. A Federal credit union may not purchase mortgage servicing rights as an investment but may perform mortgage servicing functions as a financial service for a member as long as the mortgage loan is owned by a member; (d) A Federal credit union may not purchase a commercial mortgage related security that is not otherwise permitted by Section 107(7)(E) of the Act; and (e) Stripped mortgage backed securities (SMBS). A Federal credit union may not invest in SMBS or securities that represent interests in SMBS except as described in paragraphs (1) and (3) below. (1) A Federal credit union may invest in and hold exchangeable collateralized mortgage obligations (exchangeable CMOs) representing beneficial ownership interests in one or more interest-only classes of a CMO (IO CMOs) or principal-only classes of a CMO (PO CMOs), but only if: (i) At the time of purchase, the ratio of the market price to the remaining principal balance is between .8 and 1.2, meaning that the discount or premium of the market price to par must be less than 20 points; (ii) The offering circular or other official information available at the time of purchase indicates that the notional principal on each underlying IO CMO should decline at the same rate as the principal on one or more of the underlying non-IO CMOs, and that the principal on each underlying PO CMO should decline at the same rate as the principal, or notional principal, on one or more of the underlying non-PO CMOs; and (iii) The credit union staff has the expertise dealing with exchangeable CMOs to apply the conditions in paragraphs (e)(1)(i) and (e)(1)(ii) of this section. (2) A Federal credit union that invests in an exchangeable CMO may exercise the exchange option only if all of the underlying CMOs are permissible investments for that credit union. (3) A Federal credit union may accept an exchangeable CMO representing beneficial ownership interests in one or more IO CMOs or PO CMOs as an asset associated with an investment repurchase transaction or as collateral in a securities lending transaction. When the exchangeable CMO is associated with one of these two transactions, it need not conform to the conditions in paragraphs (e)(1)(i) and (ii) of this section. (f) Other prohibited investments. A Federal credit union may not purchase residual interests in collateralized mortgage obligations, real estate mortgage investment conduits, or small business related securities.
70		.17 – Conflicts of interest	X			§ 703.17 Conflicts of interest. (a) A Federal credit union's officials and senior management employees, and their immediate family members, may not receive anything of value in connection with its investment transactions. This prohibition also applies to any other employee, such as an investment officer, if the employee is directly involved in investments, unless the Federal credit union's board of directors determines that the employee's involvement does not present a conflict of interest. This prohibition does not include compensation for employees. (b) A Federal credit union's officials and employees must conduct all transactions with business associates or family members that are not specifically prohibited by paragraph (a) of this section at arm's length and in the Federal credit union's best interest.
71		.18 – Grandfathered investments	X			§ 703.18 Grandfathered investments. (a) Subject to safety and soundness considerations, a Federal credit union may hold a CMO/ REMIC residual, stripped mortgage-backed securities, or zero coupon security with a maturity greater than 10 years, if it purchased the investment: (1) Before December 2, 1991; or (2) On or after December 2, 1991, but before January 1, 1998, if for the purpose of reducing interest rate risk and if the Federal credit union meets the following: (i) The Federal credit union has a monitoring and reporting system in place that provides the

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						documentation necessary to evaluate the expected and actual performance of the investment under different interest rate scenarios; (ii) The Federal credit union uses the monitoring and reporting system to conduct and document an analysis that shows, before purchase, that the proposed investment will reduce its interest rate risk; (iii) After purchase, the Federal credit union evaluates the investment at least quarterly to determine whether or not it actually has reduced the interest rate risk; and (iv) The Federal credit union accounts for the investment consistent with generally accepted accounting principles. (b) All grandfathered investments are subject to the valuation and monitoring requirements of §§703.10, 703.11, and 703.12 of this part.
72		.19 – Investment pilot program	X			§ 703.19 Investment pilot program. (a) Under the investment pilot program, NCUA will permit a limited number of Federal credit unions to engage in investment activities prohibited by this part but permitted by the Act. (b) Except as provided in paragraph (c) of this section, before a Federal credit union may engage in additional activities it must obtain written approval from NCUA. To obtain approval, a Federal credit union must submit a request to its regional director that addresses the following items: (1) Certification that the Federal credit union is ‘‘well capitalized’’ under part 702 of this chapter; (2) Board policies approving the activities and establishing limits on them; (3) A complete description of the activities, with specific examples of how they will benefit the Federal credit union and how they will be conducted; (4) A demonstration of how the activities will affect the Federal credit union’s financial performance, risk profile, and asset-liability management strategies; (5) Examples of reports the Federal credit union will generate to monitor the activities; (6) Projections of the associated costs of the activities, including personnel, computer, audit, and so forth; (7) Descriptions of the internal systems that will measure, monitor, and report the activities; (8) Qualifications of the staff and officials responsible for implementing and overseeing the activities; and (9) Internal control procedures that will be implemented, including audit requirements. (c) A third-party seeking approval of an investment pilot program must submit a request to the Director of the Office of Capital Markets and Planning that addresses the following items: (1) A complete description of the activities with specific examples of how a credit union will conduct and account for them, and how they will benefit a Federal credit union; (2) A description of any risks to a Federal credit union from participating in the program; and (3) Contracts that must be executed by the Federal credit union. (d) A Federal credit union need not obtain individual written approval to engage in investment activities prohibited by this part but permitted by statute where the activities are part of a third-party investment program that NCUA has approved under this section.
73	**§704 – Corporate Credit Unions**	**.1 – Scope**			**This entire part of NCUAs regulations sets parameters on the financial operations of corporate credit unions. The compliance or non-compliance with this section could impact directly, or indirectly, the financial condition of the corporate credit union.**	§ 704.1 Scope. (a) This part establishes special rules for all federally insured corporate credit unions. Non federally insured corporate credit unions must agree, by written contract, to both adhere to the requirements of this part and submit to examinations, as determined by NCUA, as a condition of receiving shares or deposits from federally insured credit unions. This part grants certain additional authorities to federal corporate credit unions. Except to the extent that they are inconsistent with this part, other provisions of NCUA’s Rules and Regulations (12 CFR chapter VII) and the Federal Credit Union Act apply to federally chartered corporate credit unions and federally insured state-chartered corporate credit unions to the same extent that they apply to other federally chartered and federally insured state-chartered credit unions, respectively. (b) The Board has the authority to issue orders which vary from this part. This authority is provided under Section 120(a) of the Federal Credit Union Act, 12 U.S.C. 1766(a). Requests by state-chartered corporate credit unions for waivers to this part and for expansions of authority under appendix B of this part must be approved by the state regulator before being submitted to NCUA.
74		.2 – Definitions				§ 704.2 Definitions. Adjusted trading means any method or transaction whereby a corporate credit union sells a security to a vendor at a price above its current market price and simultaneously purchases or commits to purchase from the vendor another security at a price above its current market price. Asset-backed security (ABS) means a security that is primarily serviced by the cashflows of a discrete pool of receivables or other financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period plus any rights or other assets designed to assure the servicing or timely distribution of proceeds to the security holders. This definition excludes mortgage related securities. Capital means the sum of a corporate credit union’s retained earnings, paid-in capital, and membership capital. For a corporate credit union that acquires another credit union in a mutual combination, capital includes the retained earnings of the acquired credit union, or of an integrated set of activities and assets, at the point of acquisition. Capital ratio means the corporate credit union’s capital divided by its moving daily average net assets. Collateralized mortgage obligation (CMO) means a multi-class mortgage-related security. Core capital means the sum of a corporate credit union’s retained earnings, and paid-in capital. For a corporate credit union that acquires another credit union in a mutual combination, core capital includes the retained earnings of the acquired credit union, or of an integrated set of activities and assets, at the point of acquisition. Core capital ratio means the corporate credit union’s core capital divided by its moving daily average net assets. Corporate credit union means an organization that: (1) Is chartered under Federal or state law as a credit union; (2) Receives shares from and provides loan services to credit unions; (3) Is operated primarily for the purpose of serving other credit unions; (4) Is designated by NCUA as a corporate credit union; (5) Limits natural person members to the minimum required by state or federal law to charter and operate the credit union; and (6) Does not condition the eligibility of any credit union to become a member on that credit union’s membership in any other organization. Daily average net assets means the average of net assets calculated for each day during the period. Derivatives means any derivative instrument as defined under generally accepted accounting principles (GAAP). Dollar roll means the purchase or sale of a mortgage backed security to a counter party with an agreement to resell or repurchase a substantially identical security at a future date and at a specified price. Embedded option means a characteristic of certain assets and liabilities which gives the issuer of the instrument the ability to change the features such as final maturity, rate, principal amount and average life. Options include, but are not limited to, calls, caps, and prepayment options. Exchangeable collateralized mortgage obligation means a class of a collateralized mortgage obligation (CMO) that, at the time of purchase, represents beneficial ownership interests in a combination of two or more underlying classes of the same CMO structure. The holder of an exchangeable CMO may pay a fee and take delivery of the underlying classes of the CMO. Fair value means the amount at which an instrument could be exchanged in a current, arms-length transaction between willing parties, as opposed to a forced or liquidation sale. Quoted market prices in active markets are the best evidence of fair value. If a quoted market price in an active market is not available, fair value may be estimated using a valuation technique that is reasonable and supportable, a quoted market price in an active market for a similar instrument, or a current appraised value. Examples of valuation techniques include the present value of estimated future cash flows, option-pricing models, and option-adjusted spread models. Valuation techniques should incorporate assumptions that market participants would use in their estimates of values, future revenues, and future expenses, including assumptions about interest rates, default, prepayment, and volatility. Federal funds transaction means a short-term or open-ended unsecured transfer of immediately available funds by one depository institution to another depository institution or entity. Foreign bank means an institution which is organized under the laws of a country other than the United States, is engaged in the business of banking, and is recognized as a bank by the banking supervisory authority of the country in which it is organized. Forward settlement of a transaction means settlement on a date later than regular-way settlement. Immediate family member means a spouse or other family member living in the same household. Limited liquidity investment means a private placement or funding agreement. Member reverse repurchase transaction means an integrated transaction in which a corporate credit union purchases a security from one of its member credit unions under agreement by that member credit union to repurchase the same security at a specified time in the future. The corporate credit union then sells that same

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						security, on the same day, to a third party, under agreement to repurchase it on the same date on which the corporate credit union is obligated to return the security to its member credit union. Membership capital means funds contributed by members that: are adjustable balance with a minimum withdrawal notice of 3 years or are term certificates with a minimum term of 3 years; are available to cover losses that exceed retained earnings and paid-in capital; are not insured by the NCUSIF or other share or deposit insurers; and cannot be pledged against borrowings. Mortgage related security means a security as defined in section 3(a)(41) of the Securities Exchange Act of 1934,15 U.S.C. 78c(a)(41), e.g., a privately-issued security backed by mortgages secured by real estate upon which is located a dwelling, mixed residential and commercial structure, residential manufactured home, or commercial structure that is rated in one of the two highest rating categories by at least one nationally recognized statistical rating organization. Moving daily average net assets means the average of daily average net assets exclusive of identifiable intangibles and goodwill for the month being measured and the previous eleven (11) months. Mutual combination means a transaction or event in which a corporate credit union acquires another credit union, or acquires an integrated set of activities and assets that is capable of being conducted and managed as a credit union. NCUA means NCUA Board (Board), unless the particular action has been delegated by the Board. Net assets means total assets less Central Liquidity Facility (CLF) stock subscriptions, CLF loans guaranteed by the NCUSIF, U.S. Central CLF certificates, and member reverse repurchase transactions. For its own account, a corporate credit union's payables under reverse repurchase agreements and receivables under repurchase agreements may be netted out if the Generally Accepted Accounting Principles (GAAP) conditions for offsetting are met. Net economic value (NEV) means the fair value of assets minus the fair value of liabilities. All fair value calculations must include the value of forward settlements and embedded options. The amortized portion of membership capital and paid-in capital, which do not qualify as capital, are treated as liabilities for purposes of this calculation. The NEV ratio is calculated by dividing NEV by the fair value of assets. Obligor means the primary party obligated to repay an investment, e.g., the issuer of a security, the taker of a deposit, or the borrower of funds in a federal funds transaction. Obligor does not include an originator of receivables underlying an asset-backed security, the servicer of such receivables, or an insurer of an investment. Official means any director or committee member. Paid-in capital means accounts or other interests of a corporate credit union that: are perpetual, non-cumulative dividend accounts; are available to cover losses that exceed retained earnings; are not insured by the NCUSIF or other share or deposit insurers; and cannot be pledged against borrowings. Pair-off transaction means a security purchase transaction that is closed out or sold at, or prior to, the settlement or expiration date. Quoted market price means a recent sales price or a price based on current bid and asked quotations. Regular-way settlement means delivery of a security from a seller to a buyer within the time frame that the securities industry has established for immediate delivery of that type of security. For example, regular-way settlement of a Treasury security includes settlement on the trade date (''cash''), the business day following the trade date (''regular way''), and the second business day following the trade date (''skip day''). Repurchase transaction means a transaction in which a corporate credit union agrees to purchase a security from a counterparty and to resell the same or any identical security to that counterparty at a specified future date and at a specified price. Residual interest means the remainder cash flows from a CMO or ABS transaction after payments due bondholders and trust administrative expenses have been satisfied. Retained earnings means the total of the corporate credit union's undivided earnings, reserves, and any other appropriations designated by management or regulatory authorities. For purposes of this regulation, retained earnings does not include the allowance for loan and lease losses account, accumulated unrealized gains and losses on available for sale securities, or other comprehensive income items. Retained earnings ratio means the corporate credit union's retained earnings divided by its moving daily average net assets. For a corporate credit union that acquires another credit union in a mutual combination, the numerator of the retained earnings ratio also includes the retained earnings of the acquired credit union, or of an integrated set of activities and assets, at the point of acquisition. Section 107(8) institution means an institution described in Section 107(8) of the Federal Credit Union Act (12 U.S.C. 1757(8)). Securities lending means lending a security to a counterparty, either directly or through an agent, and accepting collateral in return. Senior management employee means a chief executive officer, any assistant chief executive officer (e.g., any assistant president, any vice president or any assistant treasurer/manager), and the chief financial officer (controller). Settlement date means the date originally agreed to by a corporate credit union and a counterparty for settlement of the purchase or sale of a security. Short sale means the sale of a security not owned by the seller. Small business related security means a security as defined in section 3(a)(53) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(53)), e.g., a security that is rated in 1 of the 4 highest rating categories by at least one nationally recognized statistical rating organization, and represents an interest in 1 or more promissory notes or leases of personal property evidencing the obligation of a small business concern and originated by an insured depository institution, insured credit union, insurance company, or similar institution which is supervised and examined by a Federal or State authority, or a finance company or leasing company. This definition does not include Small Business Administration securities permissible under § 107(7) of the Act. Stripped mortgage-backed security means a security that represents either the principal or interest only portion of the cash flows of an underlying pool of mortgages. Trade date means the date a corporate credit union originally agrees, whether orally or in writing, to enter into the purchase or sale of a security. Weighted average life means the weighted-average time to the return of a dollar of principal, calculated by multiplying each portion of principal received by the time at which it is expected to be received (based on a reasonable and supportable estimate of that time) and then summing and dividing by the total amount of principal. When-issued trading means the buying and selling of securities in the period between the announcement of an offering and the issuance and payment date of the securities. Wholesale corporate credit union means a corporate credit union which primarily serves other corporate credit unions.
75		.3 – Corporate Credit Union Capital	X			§ 704.3 Corporate credit union capital.(a) Capital plan. A corporate credit union must develop and ensure implementation of written short and long-term capital goals, objectives, and strategies which provide for the building of capital consistent with regulatory requirements, the maintenance of sufficient capital to support the risk exposures that may arise from current and projected activities, and the periodic review and reassessment of the capital position of the corporate credit union. (b) Requirements for membership capital—(1) Form. Membership capital funds may be in the form of a term certificate or an adjusted balance account. (2) Disclosure. The terms and conditions of a membership capital account must be disclosed to the recorded owner of the account at the time the account is opened and at least annually thereafter. (i) The initial disclosure must be signed by either all of the directors of the member credit union or, if authorized by board resolution, the chair and secretary of the board; and (ii) The annual disclosure notice must be signed by the chair of the corporate credit union. The chair must sign a statement that certifies that the notice has been sent to member credit unions with membership capital accounts. The certification must be maintained in the corporate credit union's files and be available for examiner review. (3) Three-year remaining maturity. When a membership capital account has been placed on notice or has a remaining maturity of less than three years, the amount of the account that can be considered membership capital is reduced by a constant monthly amortization that ensures membership capital is fully amortized one year before the date of maturity or one year before the end of the notice period. The full balance of a membership capital account being amortized, not just the remaining non-amortized portion, is available to absorb losses in excess of the sum of retained earnings and paid-in capital until the funds are released by the corporate credit union at the time of maturity or the conclusion of the notice period. (4) Release. Membership capital may not be released due solely to the merger, charter conversion or liquidation of a member credit union. In the event of a merger, the membership capital transfers to the continuing credit union. In the event of a charter conversion, the membership capital transfers to the new institution. In the event of liquidation, the membership capital may be released to facilitate the payout of shares with the prior written approval of the OCCU Director. (5) Sale. A member may sell its membership capital to another member in the corporate credit union's field of membership, subject to the corporate credit union's approval. (6) Liquidation. In the event of liquidation of a corporate credit union, membership capital is payable only after satisfaction of all liabilities of the liquidation estate, including uninsured share obligations to shareholders and the National Credit Union Share Insurance Fund (NCUSIF),

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						but excluding paid-in capital. (7) Merger. In the event of a merger of a corporate credit union, membership capital transfers to the continuing corporate credit union. The minimum three-year notice period for withdrawal of membership capital remains in effect. (8) Adjusted balance accounts: (i) May be adjusted no more frequently than once every six months; and (ii) Must be adjusted in relation to a measure, e.g., one percent of a member credit union's assets, established and disclosed at the time the account is opened without regard to any minimum withdrawal period. If the measure is other than assets, the corporate credit union must address the measure's permanency characteristics in its capital plan. (iii) Notice of withdrawal. Upon written notice of intent to withdraw membership capital, the balance of the account will be frozen (no further adjustments) until the conclusion of the notice period. (9) Grandfathering. Membership capital issued before the effective date of this regulation is exempt from the limitation of § 704.3(b)(8)(i). (c) Requirements for paid-in capital—(1) Disclosure. The terms and conditions of any paid-in capital instrument must be disclosed to the recorded owner of the instrument at the time the instrument is created and must be signed by either all of the directors of the member credit union or, if authorized by board resolution, the chair and secretary of the board. (2) Release. Paid-in capital may not be released due solely to the merger, charter conversion or liquidation of a member credit union. In the event of a merger, the paid in capital transfers to the continuing credit union. In the event of a charter conversion, the paid-in capital transfers to the new institution. In the event of liquidation, the paid in capital may be released to facilitate the payout of shares with the prior written approval of the OCCU Director. (3) Callability. Paid-in capital accounts are callable on a pro-rata basis across an issuance class only at the option of the corporate credit union and only if the corporate credit union meets its minimum level of required capital and NEV ratios after the funds are called. (4) Liquidation. In the event of liquidation of the corporate credit union, paid-in capital is payable only after satisfaction of all liabilities of the liquidation estate, including uninsured share obligations to shareholders, the NCUSIF, and membership capital holders. (5) Merger. In the event of a merger of a corporate credit union, paid-in capital shall transfer to the continuing corporate credit union. (6) Paid-in capital. Paid-in capital includes both member and nonmember paid-in capital. (i) Member paid-in capital means paid-in capital that is held by the corporate credit union's members. A corporate credit union may not condition membership, services, or prices for services on a credit union's ownership of paid in capital. (ii) Nonmember paid-in capital means paid-in capital that is not held by the corporate credit union's members. (7) Grandfathering. A corporate credit union's authority to include paid-in capital as a component of capital is governed by the regulation in effect at the time the paid-in capital was issued. When a grandfathered paid-in capital instrument has a remaining maturity of less than 3 years, the amount that may be considered paid-in capital is reduced by a constant monthly amortization that ensures the paid-in capital is fully amortized 1 year before the date of maturity. The full balance of grandfathered paid in capital being amortized, not just the remaining non-amortized portion, is available to absorb losses in excess of retained earnings until the funds are released by the corporate credit union at maturity. (d) Capital ratio. A corporate credit union will maintain a minimum capital ratio of 4 percent, except as otherwise provided in this part. A corporate credit union must calculate its capital ratio at least monthly. (e) Individual capital ratio requirement—(1) When significant circumstances or events warrant, the OCCU Director may require a different minimum capital ratio for an individual corporate credit union based on its circumstances. Factors that may warrant a different minimum capital ratio include, but are not limited to: (i) An expectation that the corporate credit union has or anticipates losses resulting in capital inadequacy; (ii) Significant exposure exists, unsupported by adequate capital or risk management processes, due to credit, liquidity, market, fiduciary, operational, and similar types of risks; (iii) A merger has been approved; or (iv) An emergency exists because of a natural disaster. (2) When the OCCU Director determines that a different minimum capital ratio is necessary or appropriate for a particular corporate credit union, he or she will notify the corporate credit union in writing of the proposed capital ratio and the date by which the capital ratio must be reached. The OCCU Director also will provide an explanation of why the proposed capital ratio is considered necessary or appropriate. (3)(i) The corporate credit union may respond to any or all of the items in the notice. The response must be in writing and delivered to the OCCU Director within 30 calendar days after the date on which the corporate credit union received the notice. The OCCU Director may shorten the time period when, in its opinion, the condition of the corporate credit union so requires, provided that the corporate credit union is informed promptly of the new time period, or with the consent of the corporate credit union. In its discretion, the OCCU Director may extend the time period for good cause. (ii) Failure to respond within 30 calendar days or such other time period as may be specified by the OCCU Director shall constitute a waiver of any objections to any item in the notice. Failure to address any item in a response shall constitute a waiver of any objection to that item. (iii) After the close of the corporate credit union's response period, the OCCU Director will decide, based on a review of the corporate credit union's response and other information concerning the corporate credit union, whether a different minimum capital ratio should be established for the corporate credit union and, if so, the capital ratio and the date the requirement must be reached. The corporate credit union will be notified of the decision in writing. The notice will include an explanation of the decision, except for a decision not to establish a different minimum capital ratio for the corporate credit union. (f) Failure to maintain minimum capital ratio requirement. When a corporate credit union's capital ratio falls below the minimum required by paragraphs (d) or (e) of this section, or appendix B to this part, as applicable, operating management of the corporate credit union must notify its board of directors, supervisory committee, and the OCCU Director within 10 calendar days. (g) Capital restoration plan. (1) A corporate credit union must submit a plan to restore and maintain its capital ratio at the minimum requirement when either of the following conditions exist: (i) The capital ratio falls below the minimum requirement and is not restored to the minimum requirement by the next month end; or (ii) Regardless of whether the capital ratio is restored by the next month end, the capital ratio falls below the minimum requirement for three months in any 12-month period. (2) The capital restoration plan must, at a minimum, include the following: (i) Reasons why the capital ratio fell below the minimum requirement; (ii) Descriptions of steps to be taken to restore the capital ratio to the minimum requirement within specific time frames; (iii) Actions to be taken to maintain the capital ratio at the minimum required level and increase it thereafter; (iv) Balance sheet and income projections, including assumptions, for the current calendar year and one additional calendar year; and (v) Certification from the board of directors that it will follow the proposed plan if approved by the OCCU Director. (3) The capital restoration plan must be submitted to the OCCU Director within 30 calendar days of the occurrence. The OCCU Director will respond to the corporate credit union regarding the adequacy of the plan within 45 calendar days of its receipt. (h) Capital directive. (1) If a corporate credit union fails to submit a capital restoration plan; or the plan submitted is not deemed adequate to either restore capital or restore capital within a reasonable time; or the credit union fails to implement its approved capital restoration plan, NCUA may issue a capital directive. (2) A capital directive may order a corporate credit union to: (i) Achieve adequate capitalization within a specified time frame by taking any action deemed necessary, including but not limited to the following: (A) Increase the amount of capital to specific levels; (B) Reduce dividends; (C) Limit receipt of deposits to those made to existing accounts; (D) Cease or limit issuance of new accounts or any or all classes of accounts; (E) Cease or limit lending or making a particular type or category of loans; (F) Cease or limit the purchase of specified investments; (G) Limit operational expenditures to specified levels; (H) Increase and maintain liquid assets at specified levels; and (I) Restrict or suspend expanded authorities issued under appendix B of this part. (ii) Adhere to a previously submitted plan to achieve adequate capitalization. (iii) Submit and adhere to a capital plan acceptable to NCUA describing the means and a time schedule by which the corporate credit union shall achieve adequate capitalization. (iv) Meet with NCUA. (v) Take a combination of these actions. (3) Prior to issuing a capital directive, NCUA will notify a corporate credit union in writing of its intention to issue a capital directive. (i) The notice will state: (A) The reasons for the issuance of the directive; and (B) The proposed content of the directive. (ii) A corporate credit union must respond in writing within 30 calendar days of receipt of the notice stating that it either concurs or disagrees with the notice. If it disagrees with the notice, it must state the reasons why the directive should not be issued and/or propose alternative contents for the directive. The response should include all matters that the corporate credit union wishes to be considered. For good cause, including the following conditions, the response time may be shortened or lengthened: (A) When the condition of the corporate requires, and the corporate credit union is notified of the shortened response period in the notice; (B) With the consent of the corporate credit union; or (C) When the corporate credit union already has advised NCUA that it cannot or will not achieve adequate capitalization. (iii) Failure to respond within 30 calendar

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						days, or another time period specified in the notice, shall constitute a waiver of any objections to the proposed directive. (4) After the closing date of the corporate credit union's response period, or the receipt of the response, if earlier, NCUA shall consider the response and may seek additional information or clarification. Based on the information provided during the response period, NCUA will determine whether or not to issue a capital directive and, if issued, the form it should take. (5) Upon issuance, a capital directive and a statement of the reasons for its issuance will be delivered to the corporate credit union. A directive is effective immediately upon receipt by the corporate credit union, or upon such later date as may be specified therein, and shall remain effective and enforceable until it is stayed, modified, or terminated by NCUA. (6) A capital directive may be issued in addition to, or in lieu of, any other action authorized by law in response to a corporate credit union's failure to achieve or maintain the applicable minimum capital ratios. (7) Upon a change in circumstances, a corporate credit union may request reconsideration of the terms of the directive. Requests that are not based on a significant change in circumstances or are repetitive or frivolous will not be considered. Pending a decision on reconsideration, the directive shall continue in full force and effect. (i) Earnings retention requirement. A corporate credit union must increase retained earnings if the prior month end retained earnings ratio is less than 2 percent. (1) Its retained earnings must increase: (i) During the current month, by an amount equal to or greater than the monthly earnings retention amount; or (ii) During the current and prior two months, by an amount equal to or greater than the quarterly earnings retention amount. (2) Earnings retention amounts are calculated as follows: (i) The monthly earnings retention amount is determined by multiplying the earnings retention factor by the prior month-end moving daily average net assets; and (ii) The quarterly earnings retention amount is determined by multiplying the earnings retention factor by moving daily average net assets for each of the prior three month-ends. (3) The earnings retention factor is determined as follows: (i) If the prior month-end retained earnings ratio is less than 2 percent and the core capital ratio is less than 3 percent, the earnings retention factor is .15 percent per annum; or (ii) If the prior month-end retained earnings ratio is less than 2 percent and the core capital ratio is equal to or greater than 3 percent, the earnings retention factor is .10 percent per annum. (4) The OCCU Director may approve a decrease to the earnings retention amount if it is determined a lesser amount is necessary to avoid a significant adverse impact upon a corporate credit union. (5) Operating management of the corporate credit union must notify its board of directors, supervisory committee, the OCCU Director and, if applicable, the state regulator within 10 calendar days of determining that the retained earnings ratio has declined below 2 percent. If the decline in the retained earnings ratio is due, in full or in part, to a decline in the dollar amount of retained earnings and the retained earnings ratio is not restored to at least 2 percent by the next month end, a retained earnings action plan is required to be submitted within 30 calendar days. (6) The retained earnings action plan must be submitted to the OCCU Director and, if applicable, the state regulator and, at a minimum, include the following: (i) Reasons why the dollar amount of retained earnings has decreased; (ii) Description of actions to be taken to increase the dollar amount of retained earnings within specific time frames; and (iii) Monthly balance sheet and income projections, including assumptions, for the next 12-month period.
76		.4 – Board Responsibilities	X			§ 704.4 Board responsibilities. (a) General. A corporate credit union's board of directors must approve comprehensive written strategic plans and policies, review them annually, and provide them upon request to the auditors, supervisory committee, and NCUA. (b) Policies. A corporate credit union's policies must be commensurate with the scope and complexity of the corporate credit union. (c) Other requirements. The board of directors of a corporate credit union must ensure: (1) Senior managers have an in-depth, working knowledge of their direct areas of responsibility and are capable of identifying, hiring, and retaining qualified staff; (2) Qualified personnel are employed or under contract for all line support and audit areas, and designated backup personnel or resources with adequate cross-training are in place; (3) GAAP is followed, except where law or regulation has provided for a departure from GAAP; (4) Accurate balance sheets, income statements, and internal risk assessments (e.g., risk management measures of liquidity, market, and credit risk associated with current activities) are produced timely in accordance with §§ 704.6, 704.8, and 704.9; (5) Systems are audited periodically in accordance with industry-established standards; (6) Financial performance is evaluated to ensure that the objectives of the corporate credit union and the responsibilities of management are met; and (7) Planning addresses the retention of external consultants, as appropriate, to review the adequacy of technical, human, and financial resources dedicated to support major risk areas.
77		.5 – Investments	X			§ 704.5 Investments. (a) Policies. A corporate credit union must operate according to an investment policy that is consistent with its other risk management policies, including, but not limited to, those related to credit risk management, asset and liability management, and liquidity management. The policy must address, at a minimum: (1) Appropriate tests and criteria for evaluating investments and investment transactions before purchase; and (2) Reasonable and supportable concentration limits for limited liquidity investments in relation to capital. (b) General. All investments must be U.S. dollar denominated and subject to the credit policy restrictions set forth in § 704.6. (c) Authorized activities. A corporate credit union may invest in: (1) Securities, deposits, and obligations set forth in Sections 107(7), 107(8), and 107(15) of the Federal Credit Union Act, 12 U.S.C. 1757(7), 1757(8), and 1757(15), except as provided in this section; (2) Deposits in, the sale of federal funds to, and debt obligations of corporate credit unions, Section 107(8) institutions, and state banks, trust companies, and mutual savings banks not domiciled in the state in which the corporate credit union does business; (3) Corporate CUSOs, as defined in and subject to the limitations of § 704.11; (4) Marketable debt obligations of corporations chartered in the United States. This authority does not apply to debt obligations that are convertible into the stock of the corporation; and (5) Domestically-issued, asset-backed securities. (d) Repurchase agreements. A corporate credit union may enter into a repurchase agreement provided that: (1) The corporate credit union, directly or through its agent, receives written confirmation of the transaction, and either takes physical possession or control of the repurchase securities or is recorded as owner of the repurchase securities through the Federal Reserve Book- Entry Securities Transfer System; (2) The repurchase securities are legal investments for that corporate credit union; (3) The corporate credit union, directly or through its agent, receives daily assessment of the market value of the repurchase securities and maintains adequate margin that reflects a risk assessment of the repurchase securities and the term of the transaction; and (4) The corporate credit union has entered into signed contracts with all approved counterparties and agents, and ensures compliance with the contracts. Such contracts must address any supplemental terms and conditions necessary to meet the specific requirements of this part. Third party arrangements must be supported by tri-party contracts in which the repurchase securities are priced and reported daily and the tri-party agent ensures compliance. (e) Securities lending. A corporate credit union may enter into a securities lending transaction provided that: (1) The corporate credit union, directly or through its agent, receives written confirmation of the loan, obtains a first priority security interest in the collateral by taking physical possession or control of the collateral, or is recorded as owner of the collateral through the Federal Reserve Book-Entry Securities Transfer System; (2) The collateral is a legal investment for that corporate credit union; (3) The corporate credit union, directly or through its agent, receives daily assessment of the market value of collateral and maintains adequate margin that reflects a risk assessment of the collateral and terms of the loan; and (4) The corporate credit union has entered into signed contracts with all agents and, directly or through its agent, has executed a written loan and security agreement with the borrower. The corporate or its agent ensures compliance with the agreements. (f) Investment companies. A corporate credit union may invest in an investment company registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. 80a), provided that the prospectus of the company restricts the investment portfolio to investments and investment transactions that are permissible for that corporate credit union. (g) Forward settlement of transactions later than regular way. A corporate credit union may enter into an agreement to purchase or sell an instrument, with settlement later than regular way, provided that: (1) Delivery and acceptance are mandatory; (2) The transaction is clearly disclosed in the appropriate risk reporting required under § 704.8(b); (3) If the corporate credit union is the purchaser, it has adequate cash flow projections evidencing its ability to purchase the instrument; (4) If the corporate credit union is the seller, it owns the instrument on the trade date; and (5) The transaction is settled on a cash basis at the settlement date. (h) Prohibitions. A corporate credit union is prohibited from: (1) Purchasing or selling derivatives, except for embedded options not required under GAAP to be accounted for

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						separately from the host contract or forward sales commitments on loans to be purchased by the corporate credit union; (2) Engaging in trading securities unless accounted for on a trade date basis; (3) Engaging in adjusted trading or short sales; and (4) Purchasing mortgage servicing rights, small business related securities, residual interests in collateralized mortgage obligations, residual interests in real estate mortgage investment conduits, or residual interests in asset-backed securities; and (5) Purchasing stripped mortgage backed securities (SMBS), or securities that represent interests in SMBS, except as described in subparagraphs (i) and (iii) below. (i) A corporate credit union may invest in exchangeable collateralized mortgage obligations (exchangeable CMOs) representing beneficial ownership interests in one or more interest-only classes of a CMO (IO CMOs) or principal only classes of a CMO (PO CMOs), but only if: (A) At the time of purchase, the ratio of the market price to the remaining principal balance is between .8 and 1.2, meaning that the discount or premium of the market price to par must be less than 20 points; (B) The offering circular or other official information available at the time of purchase indicates that the notional principal on each underlying IO CMO should decline at the same rate as the principal on one or more of the underlying non-IO CMOs, and that the principal on each underlying PO CMO should decline at the same rate as the principal, or notional principal, on one or more of the underlying non-PO CMOs; and (C) The credit union investment staff has the expertise dealing with exchangeable CMOs to apply the conditions in paragraphs (h)(5)(i)(A) and (B) of this section. (ii) A corporate credit union that invests in an exchangeable CMO may exercise the exchange option only if all of the underlying CMOs are permissible investments for that credit union. (iii) A corporate credit union may accept an exchangeable CMO representing beneficial ownership interests in one or more IO CMOs or PO CMOs as an asset associated with an investment repurchase transaction or as collateral in a securities lending transaction. When the exchangeable CMO is associated with one of these two transactions, it need not conform to the conditions in paragraphs (h)(5)(i) (A) or (B) of this section. (i) Conflicts of interest. A corporate credit union's officials, employees, and immediate family members of such individuals, may not receive pecuniary consideration in connection with the making of an investment or deposit by the corporate credit union. Employee compensation is exempt from this prohibition. All transactions not specifically prohibited by this paragraph must be conducted at arm's length and in the interest of the corporate credit union. (j) Grandfathering. A corporate credit union's authority to hold an investment is governed by the regulation in effect at the time of purchase. However, all grandfathered investments are subject to the requirements of §§ 704.8 and 704.9.
78		.6 – Credit Risk Management	X			§ 704.6 Credit Risk Management. (a) Policies. A corporate credit union must operate according to a credit risk management policy that is commensurate with the investment risks and activities it undertakes. The policy must address at a minimum: (1) The approval process associated with credit limits; (2) Due diligence analysis requirements; (3) Maximum credit limits with each obligor and transaction counterparty, set as a percentage of capital. In addition to addressing deposits and securities, limits with transaction counter-parties must address aggregate exposures of all transactions including, but not limited to, repurchase agreements, securities lending, and forward settlement of purchases or sales of investments; and (4) Concentrations of credit risk (e.g., originator of receivables, insurer, industry type, sector type, and geographic). (b) Exemption. The requirements of this section do not apply to investments that are issued or fully guaranteed as to principal and interest by the U.S. government or its agencies or enterprises (excluding subordinated debt) or are fully insured (including accumulated interest) by the NCUSIF or Federal Deposit Insurance Corporation. (c) Concentration limits—(1) General rule. The aggregate of all investments in any single obligor is limited to 50 percent of capital or $5 million, whichever is greater. (2) Exceptions. Exceptions to the general rule are: (i) Aggregate investments in repurchase and securities lending agreements with any one counterparty are limited to 200 percent of capital; (ii) Investments in corporate CUSOs are subject to the limitations of § 704.11; and (iii) aggregate investments in corporate credit unions are not subject to the limitations of paragraph (c)(1) of this section. (3) For purposes of measurement, each new credit transaction must be evaluated in terms of the corporate credit union's capital at the time of the transaction. An investment that fails a requirement of this section because of a subsequent reduction in capital will be deemed non-conforming. A corporate credit union is required to exercise reasonable efforts to bring nonconforming investments into conformity within 90 calendar days. Investments that remain nonconforming for 90 calendar days will be deemed to fail a requirement of this section and the corporate credit union will have to comply with § 704.10. (d) Credit ratings—(1) All investments, other than in a corporate credit union or CUSO, must have an applicable credit rating from at least one nationally recognized statistical rating organization (NRSRO). (2) At the time of purchase, investments with long-term ratings must be rated no lower than AA– (or equivalent) and investments with short-term ratings must be rated no lower than A–1 (or equivalent). (3) Any rating(s) relied upon to meet the requirements of this part must be identified at the time of purchase and must be monitored for as long as the corporate owns the investment. (4) When two or more ratings are relied upon to meet the requirements of this part at the time of purchase, the board or an appropriate committee must place on the § 704.6(e)(1) investment watch list any investment for which a rating is downgraded below the minimum rating requirements of this part. (5) Investments are subject to the requirements of § 704.10 if: (i) One rating was relied upon to meet the requirements of this part and that rating is downgraded below the minimum rating requirements of this part; or (ii) Two or more ratings were relied upon to meet the requirements of this part and at least two of those ratings are downgraded below the minimum rating requirements of this part. (e) Reporting and documentation—(1) At least annually, a written evaluation of each credit limit with each obligor or transaction counterparty must be prepared and formally approved by the board or an appropriate committee. At least monthly, the board or an appropriate committee must receive an investment watch list of existing and/or potential credit problems and summary credit exposure reports, which demonstrate compliance with the corporate credit union's risk management policies. (2) At a minimum, the corporate credit union must maintain: (i) A justification for each approved credit limit; (ii) Disclosure documents, if any, for all instruments held in portfolio. Documents for an instrument that has been sold must be retained until completion of the next NCUA examination; and (iii) The latest available financial reports, industry analyses, internal and external analyst evaluations, and rating agency information sufficient to support each approved credit limit.
79		.7 – Lending	X			§ 704.7 Lending. (a) Policies. A corporate credit union must operate according to a lending policy which addresses, at a minimum: (1) Loan types and limits; (2) Required documentation and collateral; and (3) Analysis and monitoring standards. (b) General. Each loan or line of credit limit will be determined after analyzing the financial and operational soundness of the borrower and the ability of the borrower to repay the loan. (c) Loans to members—(1) Credit unions. (i) The maximum aggregate amount in unsecured loans and lines of credit to any one member credit union, excluding pass-through and guaranteed loans from the CLF and the NCUSIF, must not exceed 50 percent of capital. (ii) The maximum aggregate amount in secured loans and lines of credit to any one member credit union, excluding those secured by shares or marketable securities and member reverse repurchase transactions, must not exceed 100 percent of capital. (2) Corporate CUSOs. Any loan or line of credit must comply with § 704.11. (3) Other members. The maximum aggregate amount of loans and lines of credit to any other one member must not exceed 15 percent of the corporate credit union's capital plus pledged shares. (d) Loans to nonmembers—(1) Credit unions. A loan to a nonmember credit union, other than through a loan participation with another corporate credit union, is only permissible if the loan is for an overdraft related to the providing of correspondent services pursuant to § 704.12. Generally, such a loan will have a maturity of one business day. (2) Corporate CUSOs. Any loan or line of credit must comply with § 704.11. (e) Member business loan rule. Loans, lines of credit and letters of credit to: (1) Member credit unions are exempt from part 723 of this chapter; (2) Corporate CUSOs are not subject to part 723 of this chapter. (3) Other members not excluded under § 723.1(b) of this chapter must comply with part 723 of this chapter unless the loan or line of credit is fully guaranteed by a credit union or fully secured by U.S. Treasury or agency securities. Those guaranteed and secured loans must comply with the aggregate limits of § 723.16 but are exempt from the other requirements of part 723. (f) Participation loans with other corporate credit unions. A corporate credit union is permitted to participate in a loan with another corporate credit union provided the corporate retains an interest of at least 5 percent of the face amount of the loan and a master participation loan agreement is in place before the purchase or the sale of a participation. A participating corporate credit union must exercise the same due diligence

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						as if it were the originating corporate credit union. (g) Prepayment penalties. If provided for in the loan contract, a corporate credit union is authorized to assess prepayment penalties on loans.
80		.8 – Asset-Liability Management	X			§ 704.8 Asset and liability management. (a) Policies. A corporate credit union must operate according to a written asset and liability management policy which addresses, at a minimum: (1) The purpose and objectives of the corporate credit union's asset and liability activities; (2) The maximum allowable percentage decline in net economic value (NEV), compared to base case NEV; (3) The minimum allowable NEV ratio; (4) Policy limits and specific test parameters for the interest rate sensitivity analysis requirements set forth in paragraph (d) of this section; (5) The modeling of indexes that serve as references in financial instrument coupon formulas; and (6) The tests that will be used, prior to purchase, to estimate the impact of investments on the percentage decline in NEV, compared to base case NEV. The most recent NEV analysis, as determined under paragraph (d) (1)(i) of this section may be used as a basis of estimation. (b) Asset and liability management committee (ALCO). A corporate credit union's ALCO must have at least one member who is also a member of the board of directors. The ALCO must review asset and liability management reports on at least a monthly basis. These reports must address compliance with Federal Credit Union Act, NCUA Rules and Regulations (12 CFR chapter VII), and all related risk management policies. (c) Penalty for early withdrawals. A corporate credit union that permits early certificate/share withdrawals must assess market-based penalties sufficient to cover the estimated replacement cost of the certificate/share redeemed. This means the minimum penalty must be reasonably related to the rate that the corporate credit union would be required to offer to attract funds for a similar term with similar characteristics. (d) Interest rate sensitivity analysis—(1) A corporate credit union must: (i) Evaluate the risk in its balance sheet by measuring, at least quarterly, the impact of an instantaneous, permanent, and parallel shock in the yield curve of plus and minus 100, 200, and 300 basis points on its NEV and NEV ratio. If the base case NEV ratio falls below 3 percent at the last testing date, these tests must be calculated at least monthly until the base case NEV ratio again exceeds 3 percent; (ii) Limit its risk exposure to levels that do not result in a base case NEV ratio or any NEV ratio resulting from the tests set forth in paragraph (d)(1)(i) of this section below 2 percent; and (iii) Limit its risk exposures to levels that do not result in a decline in NEV of more than 15 percent. (2) A corporate credit union must assess annually if it should conduct periodic additional tests to address market factors that may materially impact that corporate credit union's NEV. These factors should include, but are not limited to, the following: (i) Changes in the shape of the Treasury yield curve; (ii) Adjustments to prepayment projections used for amortizing securities to consider the impact of significantly faster/slower prepayment speeds; (iii) Adjustments to the market spread assumptions for non Treasury instruments to consider the impact of widening spreads; and (iv) Adjustments to volatility assumptions to consider the impact that changing volatilities have on embedded option values. (e) Regulatory violations. If a corporate credit union's decline in NEV, base case NEV ratio or any NEV ratio resulting from the tests set forth in paragraph (d)(1)(i) of this section violates the limits established by this rule and is not brought into compliance within 10 calendar days, operating management of the corporate credit union must immediately report the information to the board of directors, supervisory committee, and the OCCU Director. If any violation persists for 30 calendar days, the corporate credit union must submit a detailed, written action plan to the OCCU Director that sets forth the time needed and means by which it intends to correct the violation. If the OCCU Director determines that the plan is unacceptable, the corporate credit union must immediately restructure the balance sheet to bring the exposure back within compliance or adhere to an alternative course of action determined by the OCCU Director. (f) Policy violations. If a corporate credit union's decline in NEV, base case NEV ratio, or any NEV ratio resulting from the tests set forth in paragraph (d)(1)(i) of this section violates the limits established by its board, it must determine how it will bring the exposure within policy limits. The disclosure to the board of the violation must occur no later than its next regularly scheduled board meeting.
81		.9 – Liquidity Management	X			§ 704.9 Liquidity management. (a) General. In the management of liquidity, a corporate credit union must: (1) Evaluate the potential liquidity needs of its membership in a variety of economic scenarios; (2) Regularly monitor sources of internal and external liquidity; (3) Demonstrate that the accounting classification of investment securities is consistent with its ability to meet potential liquidity demands; and (4) Develop a contingency funding plan that addresses alternative funding strategies in successively deteriorating liquidity scenarios. The plan must: (i) List all sources of liquidity, by category and amount, that are available to service an immediate outflow of funds in various liquidity scenarios; (ii) Analyze the impact that potential changes in fair value will have on the disposition of assets in a variety of interest rate scenarios; and (iii) Be reviewed by the board or an appropriate committee no less frequently than annually or as market or business conditions dictate. (b) Borrowing. A corporate credit union may borrow up to 10 times capital or 50 percent of shares (excluding shares created by the use of member reverse repurchase agreements) and capital, whichever is greater. CLF borrowings and borrowed funds created by the use of member reverse repurchase agreements are excluded from this limit. The corporate credit union must demonstrate that sufficient contingent sources of liquidity remain available.
82		.10 – Investment Action Plan	X			§ 704.10 Investment action plan. (a) Any corporate credit union in possession of an investment, including a derivative that fails to meet a requirement of this part must, within 30 calendar days of the failure, report the failed investment to its board of directors, supervisory committee and the OCCU Director. If the corporate credit union does not sell the failed investment, and the investment continues to fail to meet a requirement of this part, the corporate credit union must, within 30 calendar days of the failure, provide to the OCCU Director a written action plan that addresses: (1) The investment's characteristics and risks; (2) The process to obtain and adequately evaluate the investment's market pricing, cash flows, and risk; (3) How the investment fits into the credit union's asset and liability management strategy; (4) The impact that either holding or selling the investment will have on the corporate credit union's earnings, liquidity, and capital in different interest rate environments; and (5) The likelihood that the investment may again pass the requirements of this part. (b) The OCCU Director may require, for safety and soundness reasons, a shorter time period for plan development than that set forth in paragraph (a) of this section. (c) If the plan described in paragraph (a) of this section is not approved by the OCCU Director, the credit union must adhere to the OCCU Director's directed course of action.
83		.11 – Corporate CUSO's	X			§ 704.11 Corporate Credit Union Service Organizations (Corporate CUSOs). (a) A corporate CUSO is an entity that: (1) Is at least partly owned by a corporate credit union; (2) Primarily serves credit unions; (3) Restricts its services to those related to the normal course of business of credit unions; and (4) Is structured as a corporation, limited liability company, or limited partnership under state law. (b) Investment and loan limitations. (1) The aggregate of all investments in member and non-member corporate CUSOs must not exceed 15 percent of a corporate credit union's capital. (2) The aggregate of all investments in and loans to member and nonmember corporate CUSOs must not exceed 30 percent of a corporate credit union's capital. A corporate credit union may lend to member and non-member corporate CUSOs an additional 15 percent of capital if the loan is collateralized by assets in which the corporate has a perfected security interest under state law. (3) If the limitations in paragraphs (b)(1) and (b)(2) of this section are reached or exceeded because of the profitability of the CUSO and the related GAAP valuation of the investment under the equity method without an additional cash outlay by the corporate, divestiture is not required. A corporate credit union may continue to invest up to the regulatory limit without regard to the increase in the GAAP valuation resulting from the corporate CUSO's profitability. (c) Due diligence. A corporate credit union must comply with the due diligence requirements of §§ 723.5 and 723.6(f) through (j) of this chapter for all loans to corporate CUSOs. This requirement does not apply to loans excluded under § 723.1(b). (d) Separate entity. (1) A corporate CUSO must be operated as an entity separate from a corporate credit union. (2) A corporate credit union investing in or lending to a corporate CUSO must obtain a written legal opinion that concludes the corporate CUSO is organized and operated in a manner that the corporate credit union will not reasonably be held liable for the obligations of the corporate CUSO. This opinion must address factors that have led courts to ''pierce the corporate veil,'' such as inadequate capitalization, lack of corporate identity, common boards of

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						directors and employees, control of one entity over another, and lack of separate books and records. (e) Prohibited activities. A corporate credit union may not use this authority to acquire control, directly or indirectly, of another depository financial institution or to invest in shares, stocks, or obligations of an insurance company, trade association, liquidity facility, or similar organization. (f) An official of a corporate credit union which has invested in or loaned to a corporate CUSO may not receive, either directly or indirectly, any salary, commission, investment income, or other income, compensation, or consideration from the corporate CUSO. This prohibition also extends to immediate family members of officials. (g) Prior to making an investment in or loan to a corporate CUSO, a corporate credit union must obtain a written agreement that the corporate CUSO will: (1) Follow GAAP; (2) Provide financial statements to the corporate credit union at least quarterly; (3) Obtain an annual CPA opinion audit and provide a copy to the corporate credit union. A wholly owned or majority owned CUSO is not required to obtain a separate annual audit if it is included in the corporate credit union's annual consolidated audit; and (4) Allow the auditor, board of directors, and NCUA complete access to its books, records, and any other pertinent documentation. (h) Corporate credit union authority to invest in or loan to a CUSO is limited to that provided in this section. A corporate credit union is not authorized to invest in or loan to a CUSO under part 712 of this chapter.
84		.12 – Permissible Services	X			§ 704.12 Permissible services. (a) Preapproved services. A corporate credit union may provide to members the preapproved services set out in this section. NCUA may at any time, based upon supervisory, legal, or safety and soundness reasons, limit or prohibit any preapproved service. The specific activities listed within each preapproved category are provided as illustrations of activities permissible under the particular category, not as an exclusive or exhaustive list. (1) Correspondent services agreement. A corporate credit union may only provide financial services to nonmembers through a correspondent services agreement. A correspondent services agreement is an agreement between two corporate credit unions, whereby one of the corporate credit unions agrees to provide services to the other corporate credit union or its members. (2) Credit and investment services. Credit and investment services are advisory and consulting activities that assist the member in lending or investment management. These services may include loan reviews, investment portfolio reviews and investment advisory services. (3) Electronic financial services. Electronic financial services are any services, products, functions, or activities that a corporate credit union is otherwise authorized to perform, provide or deliver to its members but performed through electronic means. Electronic services may include automated teller machines, online transaction processing through a website, website hosting services, account aggregation services, and internet access services to perform or deliver products or services to members. (4) Excess capacity. Excess capacity is the excess use or capacity remaining in facilities, equipment or services that: a corporate credit union properly invested in or established, in good faith, with the intent of serving its members; and it reasonably anticipates will be taken up by the future expansion of services to its members. A corporate credit union may sell or lease the excess capacity in facilities, equipment or services, such as office space, employees and data processing. (5) Liquidity and asset and liability management. Liquidity and asset and liability management services are any services, functions or activities that assist the member in liquidity and balance sheet management. These services may include liquidity planning and balance sheet modeling and analysis. (6) Operational services. Operational services are services established to deliver financial products and services that enhance member service and promote safe and sound operations. Operational services may include tax payment, electronic fund transfers and providing coin and currency service. (7) Payment systems. Payment systems are any methods used to facilitate the movement of funds for transactional purposes. Payment systems may include Automated Clearing House, wire transfer, item processing and settlement services. (8) Trustee or custodial services. Trustee services are services in which the corporate credit union is authorized to act under a written trust agreement to the extent permitted under part 724 of this chapter. Custodial and safekeeping services are services a corporate credit union performs on behalf of its member to act as custodian or safekeeper of investments. (b) Procedure for adding services that are not preapproved. To provide a service to its members that is not preapproved by NCUA: (1) A federal corporate credit union must request approval from NCUA. The request must include a full explanation and complete documentation of the service and how the service relates to a corporate credit union's authority to provide services to its members. The request must be submitted jointly to the OCCU Director and the Secretary of the Board. The request will be treated as a petition to amend § 704.12 and NCUA will request public comment or otherwise act on the petition within a reasonable period of time. Before engaging in the formal approval process, a corporate credit union should seek an advisory opinion from NCUA's Office of General Counsel as to whether a proposed service is already covered by one of the authorized categories without filing a petition to amend the regulation; and (2) A state-chartered corporate credit union must submit a request for a waiver that complies with § 704.1(b) to the OCCU Director. (c) Prohibition. A corporate credit union is prohibited from purchasing loan servicing rights.
85		.13 – Reserved				
86		.14 – Representation	X			§ 704.14 Representation. (a) Board representation. The board will be determined as stipulated in its bylaws governing election procedures, provided that: (1) At least a majority of directors, including the chair of the board, must serve on the board as representatives of member credit unions; (2) The chair of the board may not serve simultaneously as an officer, director, or employee of a credit union trade association; (3) A majority of directors may not serve simultaneously as officers, directors, or employees of the same credit union trade association or its affiliates (not including chapters or other subunits of a state trade association); (4) For purposes of meeting the requirements of paragraphs (a)(2) and (a)(3) of this section, an individual may not serve as a director or chair of the board if that individual holds a subordinate employment relationship to another employee who serves as an officer, director, or employee of a credit union trade association; and (5) In the case of a corporate credit union whose membership is composed of more than 25 percent non credit unions, the majority of directors serving as representatives of member credit unions, including the chair, must be elected only by member credit unions. (b) Credit union trade association. As used in this section, a credit union trade association includes but is not limited to, state credit union leagues and league service corporations and national credit union trade associations. (c) Representatives of organizational members. (1) An organizational member of a corporate credit union is a member that is not a natural person. An organizational member may appoint one of its members or officials as a representative to the corporate credit union. The representative shall be empowered to attend membership meetings, to vote, and to stand for election on behalf of the member. No individual may serve as the representative of more than one organizational member in the same corporate credit union. (2) Any vacancy on the board of a corporate credit union caused by a representative being unable to complete his or her term shall be filled by the board of the corporate credit union according to its bylaws governing the filling of board vacancies. (d) Recusal provision. (1) No director, committee member, officer, or employee of a corporate credit union shall in any manner, directly or indirectly, participate in the deliberation upon or the determination of any question affecting his or her pecuniary interest or the pecuniary interest of any entity (other than the corporate credit union) in which he or she is interested, except if the matter involves general policy applicable to all members, such as setting dividend or loan rates or fees for services. (2) An individual is ''interested'' in an entity if he or she: (i) Serves as a director, officer, or employee of the entity; (ii) Has a business, ownership, or deposit relationship with the entity; or (iii) Has a business, financial, or familial relationship with an individual whom he or she knows has a pecuniary interest in the entity. (3) In the event of the disqualification of any directors, by operation of paragraph (c)(1) of this section, the remaining qualified directors present at the meeting, if constituting a quorum with the disqualified directors, may exercise, by majority vote, all the powers of the board with respect to the matter under consideration. Where all of the directors are disqualified, the matter must be decided by the members of the corporate credit union. (4) In the event of the disqualification of any committee member by operation of paragraph (c)(1) of this section, the remaining qualified committee members, if constituting a quorum with the disqualified committee members, may exercise, by majority vote, all the powers of the committee with respect to the matter under consideration. Where all of the committee members are disqualified, the matter shall be decided by the board of

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						directors. (e) Administration. (1) A corporate credit union shall be under the direction and control of its board of directors. While the board may delegate the performance of administrative duties, the board is not relieved of its responsibility for their performance. The board may employ a chief executive officer who shall have such authority and such powers as delegated by the board to conduct business from day to day. Such chief executive officer must answer solely to the board of the corporate credit union, and may not be an employee of a credit union trade association. (2) The provisions of § 701.14 of this chapter apply to corporate credit unions, except that where ‘‘Regional Director’’ is used, read ‘‘NCUA Board.’’
87		.15 – Audit Requirements	X			§ 704.15 Audit requirements. (a) External audit. The corporate credit union supervisory committee shall cause an annual opinion audit of the financial statements to be made. The audit must be performed in accordance with generally accepted auditing standards and the audited financial statements must be prepared consistent with GAAP, except where law or regulation has provided for a departure from GAAP. The supervisory committee shall submit the audit report to the board of directors. A copy of the audit report, and copies of all communications that are provided to the corporate credit union by the external auditor, shall be submitted to the OCCU Director within 30 calendar days after receipt by the board of directors. If requested by the OCCU Director, the external auditor’s workpapers shall be made available, at the auditor’s office or elsewhere, for the OCCU Director’s review. The corporate credit union shall submit a summary of the audit report to the membership at the next annual meeting. (b) Internal audit. A corporate credit union with average daily assets in excess of $400 million for the preceding calendar year, or as ordered by the OCCU Director, must employ or contract, on a full- or part-time basis, the services of an internal auditor. The internal auditor’s responsibilities will, at a minimum, comply with the Standards and Professional Practices of Internal Auditing, as established by the Institute of Internal Auditors. The internal auditor will report directly to the chair of the corporate credit union’s supervisory committee, who may delegate supervision of the internal auditor’s daily activities to the chief executive officer of the corporate credit union. The internal auditor’s reports, findings, and recommendations will be in writing and presented to the supervisory committee no less than quarterly, and will be provided upon request to the external auditor and the OCCU Director.
88		.16 – Contract/Written Agreements	X			§ 704.16 Contracts/written agreements. Services, facilities, personnel, or equipment shared with any party shall be supported by a written contract, with the duties and responsibilities of each party specified and the allocation of service fee/expenses fully supported and documented.
89		.17 – State-chartered corporate credit unions	X			§ 704.17 State-chartered corporate credit unions. (a) This part does not expand the powers and authorities of any state-chartered corporate credit union, beyond those powers and authorities provided under the laws of the state in which it was chartered. (b) A state-chartered corporate credit union that is not insured by the NCUSIF, but that receives funds from federally insured credit unions, is considered an ‘‘institution affiliated party’’ within the meaning of Section 206(r) of the Federal Credit Union Act, 12 U.S.C. 1786(r). (c) NCUA will notify, consult with, and provide explanation to the appropriate state supervisory authority before taking administrative action against a state chartered corporate credit union.
90		.18 – Fidelity bond coverage	X			§ 704.18 Fidelity bond coverage. (a) Scope. This section provides the fidelity bond requirements for employees and officials in corporate credit unions. (b) Review of coverage. The board of directors of each corporate credit union shall, at least annually, carefully review the bond coverage in force to determine its adequacy in relation to risk exposure and to the minimum requirements in this section. (c) Minimum coverage; approved forms. Every corporate credit union will maintain bond coverage with a company holding a certificate of authority from the Secretary of the Treasury. All bond forms, and any riders and endorsements which limit the coverage provided by approved bond forms, must receive the prior written approval of NCUA. Fidelity bonds must provide coverage for the fraud and dishonesty of all employees, directors, officers, and supervisory and credit committee members. Notwithstanding the foregoing, all bonds must include a provision, in a form approved by NCUA, requiring written notification by surety to NCUA: (1) When the bond of a credit union is terminated in its entirety; (2) When bond coverage is terminated, by issuance of a written notice, on an employee, director, officer, supervisory or credit committee member; or (3) When a deductible is increased above permissible limits. Said notification shall be sent to NCUA and shall include a brief statement of cause for termination or increase. (d) Minimum coverage amounts. (1) The minimum amount of bond coverage will be computed based on the corporate credit union’s daily average net assets for the preceding calendar year. The following table lists the minimum requirements: Daily average net assets Minimum bond (million) Less than $50 million ..... $1.0, $50– $99 million ..... 2.0, $100–$499 million ..... 4.0, $500–$999 million ..... 6.0, $1.0–$1.999 billion , ... 8.0, $2.0–$4.999 billion ..... 10.0, $5.0–$9.999 billion ..... 15.0, $10.0–$24.999 billion ..... 20.0, $25.0 billion plus..... 25.0, (2) It is the duty of the board of directors of each corporate credit union to provide adequate protection to meet its unique circumstances by obtaining, when necessary, bond coverage in excess of the minimums in the table in paragraph (d)(1) of this section. (e) Deductibles. (1) The maximum amount of deductibles allowed is based on the corporate credit union’s core capital ratio. The following table sets out the maximum deductibles, except that in each category the maximum deductible shall be $5 million: Core capital ratio Maximum deductible Less than 1.0% ..... 7.5% of the sum of retained earnings and paid-in capital. 1.0–1.74% ..... 10.0% of the sum of retained earnings and paid-in capital. 1.75–2.24% ..... 12.0% of the sum of retained earnings, and paid-in capital. Greater than 2.25%..... 15.0% of the sum of retained earnings and paid-in capital. (2) A deductible may be applied separately to one or more insuring clauses in a blanket bond. Deductibles in excess of those showing in this section must have the written approval of NCUA at least 30 calendar days prior to the effective date of the deductibles. (f) Additional coverage. NCUA may require additional coverage for any corporate credit union when, in the opinion of NCUA, current coverage is insufficient. The board of directors of the corporate credit union must obtain additional coverage within 30 calendar days after the date of written notice from NCUA.
91		.19 – Wholesale corporate credit unions	X			§ 704.19 Wholesale corporate credit unions. (a) General. Wholesale corporate credit unions are subject to the preceding requirements of this part, except as set forth in this section. (b) Earnings retention requirement. A wholesale corporate credit union must increase retained earnings if the prior month-end retained earnings ratio is less than 1 percent. (1) Its retained earnings must increase: (i) During the current month, by an amount equal to or greater than the monthly earnings retention amount; or (ii) During the current and prior two months, by an amount equal to or greater than the quarterly earnings retention amount. (2) Earnings retention amounts are calculated as follows: (i) The monthly earnings retention amount is determined by multiplying the earnings retention factor by the prior month-end moving daily average net assets; and (ii) The quarterly earnings retention amount is determined by multiplying the earnings retention factor by moving daily average net assets for each of the prior three month-ends. (3) The earnings retention factor is determined as follows: (i) If the prior month-end retained earnings ratio is less than 1 percent and the core capital ratio is less than 3 percent, the earnings retention factor is .15 percent per annum; or (ii) If the prior month-end retained earnings ratio is less than 1 percent and the core capital ratio is equal to or greater than 3 percent, the earnings retention factor is .075 percent per annum. (4) The OCCU Director may approve a decrease to the earnings retention amount set forth in this section if it is determined a lesser amount is necessary to avoid a significant adverse impact upon a wholesale corporate credit union. (5) Operating management of the wholesale corporate credit union must notify its board of directors, supervisory committee, OCCU Director and, if applicable, the state regulator within 10 calendar days of determining the retained earnings ratio has declined below 1 percent. If the decline in the retained earnings ratio is due in full or in part, to a decline in the dollar amount of retained earnings and the retained earnings ratio is not restored to at least 1 percent by the next month end, a retained earnings action plan is required to be submitted within 30 calendar days. (6) The retained earnings action plan must be submitted to the OCCU Director and, if applicable, the state regulator and, at a minimum, include the following: (i) Reasons why the dollar

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						amount of retained earnings has decreased; (ii) Description of actions to be taken to increase the dollar amount of retained earnings within specific time frames; and (iii) Monthly balance sheet and income projections, including assumptions for the ensuing 12-month period. Appendix A to Part 704—Model Forms This appendix contains sample forms intended for use by corporate credit unions to aid in compliance with the membership capital account and paid-in capital disclosure requirements of § 704.3. Sample Form 1 Terms and Conditions of Membership Capital Account (1) A membership capital account is not subject to share insurance coverage by the NCUSIF or other deposit insurer. (2) A membership capital account is not releasable due solely to the merger, charter conversion or liquidation of the member credit union. In the event of a merger, the membership capital account transfers to the continuing credit union. In the event of a charter conversion, the membership capital account transfers to the new institution. In the event of liquidation, the membership capital account may be released to facilitate the payout of shares with the prior written approval of NCUA. (3) A member credit union may withdraw membership capital with three years' notice. (4) Membership capital cannot be used to pledge borrowings. (5) Membership capital is available to cover losses that exceed retained earnings and paid-in capital. (6) Where the corporate credit union is liquidated, membership capital accounts are payable only after satisfaction of all liabilities of the liquidation estate including uninsured obligations to shareholders and the NCUSIF. (7) Where the corporate credit union is merged into another corporate credit union, the membership capital account will transfer to the continuing corporate credit union. The three-year notice period for withdrawal of the membership capital account will remain in effect. (8) {If an adjusted balance account}: The membership capital balance will be adjusted ___(1 or 2) ___time(s) annually in relation to the member credit union's ___ (assets or other measure) ___as of ___ (date(s)) ___. {If a term certificate}: The membership capital account is a term certificate that will mature on ___(date)___. I have read the above terms and conditions and I understand them. I further agree to maintain in the credit union's files the annual notice of terms and conditions of the membership capital account. The notice form must be signed by either all of the directors of the member credit union or, if authorized by board resolution, the chair and secretary of the board of the credit union. The annual disclosure notice form must be signed by the chair of the corporate credit union. The chair must then sign a statement that certifies that the notice has been sent to member credit unions with membership capital accounts. The certification must be maintained in the corporate credit union's files and be available for examiner review.
92	**§706 – Credit Practices**	**.1 – Definitions**			**This entire section protects the member from unfair or deceptive acts by an FCU as well as compliance with other federal law designed to protect the consumer (member).**	
93		.2 – Unfair credit practices		X		§ 706.2 Unfair credit practices. In connection with the extension of credit to consumers, it is an unfair act or practice for a federal credit union, directly or indirectly, to take or receive from a consumer an obligation that: (a) Constitutes or contains a cognovit or confession of judgment (for purposes other than executory process in the State of Louisiana), warrant of attorney, or other waiver of the right to notice and the opportunity to be heard in the event of suit or process thereon. (b) Constitutes or contains an executory waiver or a limitation of exemption from attachment, execution, or other process on real or personal property held, owned by, or due to the consumer, unless the waiver applies solely to property subject to a security interest executed in connection with the obligation. (c) Constitutes or contains an assignment of wages or other earnings unless: (1) The assignment by its terms is revocable at the will of the debtor, or (2) The assignment is a payroll deduction plan or preauthorized payment plan, commencing at the time of the transaction, in which the consumer authorizes a series of wage deductions as a method of making each payment, or (3) The assignment applies only to wages or other earnings already earned at the time of the assignment. (d) Constitutes or contains a non-possessory security interest in household goods other than a purchase money security interest.
94		.3 – Unfair or deceptive cosigner practices		X		§ 706.3 Unfair or deceptive cosigner practices. (a) Prohibited practices. In connection with the extension of credit to consumers, it is: (1) A deceptive act or practice for a federal credit union, directly or indirectly, to misrepresent the nature or extent of cosigner liability to any person. (2) An unfair act or practice for a federal credit union, directly or indirectly, to obligate a cosigner unless the cosigner is informed prior to becoming obligated, which in the case of open-end credit means prior to the time that the agreement creating the cosigner's liability for future charges is executed, of the nature of his or her liability as cosigner.(b) Disclosure requirement. (1) To comply with the cosigner information requirement of paragraph (a)(2) of this section, a clear and conspicuous disclosure statement shall be of this section given in writing to the cosigner prior to becoming obligated. The disclosure statement will contain only the following statement, or one which is substantially equivalent, and shall either be a separate document or included in the documents evidencing the consumer credit obligation. NOTICE TO COSIGNER You are being asked to guarantee this debt. Think carefully before you do. If the borrower doesn't pay the debt, you will have to. Be sure you can afford to pay if you have to, and that you want to accept this responsibility. You may have to pay up to the full amount of the debt if the borrower does not pay. You may also have to pay late fees or collection costs, which increase this amount. The creditor can collect this debt from you without first trying to collect from the borrower. The creditor can use the same collection methods against you that can be used against the borrower, such as suing you, garnishing your wages, etc. If this debt is ever in default, that fact may become a part of your credit record. This notice is not the contract that makes you liable for the debt. (2) If the notice to cosigner is a separate document, nothing other than the following items may appear with the notice. The following paragraphs (b)(2)(i) through (v) may not be part of the narrative portion of the notice to cosigner.(i) The name and address of the federal credit union; (ii) An identification of the debt to be cosigned (e.g., a loan identification number); (iii) The amount of the loan; (iv) The date of the loan; (v) A signature line for a cosigner to acknowledge receipt of the notice; and (vi) To the extent permitted by state law, a cosigner notice required by state law may be included in the notice in paragraph (b) (1) of this section. (3) To the extent the notice to cosigner specified in paragraph (b)(1) of this section refers to an action against a cosigner that is not permitted by state law, the notice to cosigner may be modified.
95		.4 – Late charges.		X		§ 706.4 Late charges. (a) In connection with collecting a debt arising out of an extension of credit to a consumer, it is an unfair act or practice for a Federal credit union, directly or indirectly, to levy or collect any delinquency charge on a payment, which payment is otherwise a full payment for the applicable period and is paid on its due date or within an applicable grace period, when the only delinquency is attributable to late fee(s) or delinquency charge(s) assessed on earlier installment(s). (b) For purposes of this section, ''collecting a debt'' means any activity other than the use of judicial process that is intended to bring about or does bring about repayment of all or part of a consumer debt.
96	**§707- Truth in Savings**	**.1 – Authority, purpose, coverage and effect on state**			**This entire section protects the member from unfair or deceptive acts by an FCU as well**	

#	NCUA Regulation	Part	Insurance Regulatory Related	Non-Insurance and Consumer Regulatory Related	Description	Rule/Regulation
		laws.			**as compliance with other federal law.**	
97		.2 – Definitions		X		§ 707.2 Definitions. For purposes of this part, the following definitions apply: (a) Account means a share or deposit account at a credit union held by or offered to a member or potential member. It includes, but is not limited to, accounts such as share, share draft, checking and term share accounts. For purposes of the advertising regulations in § 707.8, the term also includes an account at a credit union that is held by or offered by a share or deposit broker. (b) Advertisement means a commercial message, appearing in any medium that promotes directly or indirectly: (1) The availability or terms of, or a deposit in, a new account; and (2) For purposes of § 707.8(a) and § 707.11 of this part, the terms of, or a deposit in, a new or existing account. (c) Annual percentage yield means a percentage rate reflecting the total amount of dividends paid on an account, based on the dividend rate and the frequency of compounding for a 365-day period and calculated according to the rules in appendix A of this part. (d) Average daily balance method means the application of a periodic rate to the average daily balance in the account for the period. The average daily balance is determined by adding the full amount of principal in the account for each day of the period and dividing that figure by the number of days in the period. (e) Board means the National Credit Union Administration Board. (f) Bonus means a premium, gift, award, or other consideration worth more than $10 (whether in the form of cash, credit, merchandise, or any equivalent) given or offered to a member during a year in exchange for opening, maintaining, or renewing an account, or increasing an account balance. The term does not include dividends, other consideration worth $10 or less given during a year, the waiver or reduction of a fee, the absorption of expenses, non-dividend membership benefits, or extraordinary dividends. (g) Credit union means a federal or state-chartered credit union that is either insured by, or is eligible to apply for insurance from, the National Credit Union Share Insurance Fund. (h) Daily balance method means the application of a daily periodic rate to the full amount of principal in the account each day. (i) Dividend and dividends mean any declared or prospective earnings on a member's shares in a credit union to be paid to a member or to the member's account. For purposes of this part, the term does not include the payment of a bonus or other consideration worth $10 or less given during a year, the waiver or reduction of a fee, the absorption of expenses, non-dividend membership benefits, or extraordinary dividends. (j) Dividend declaration date means the date that the board of directors of a credit union declares a dividend for the preceding dividend period. (k) Dividend period means the span of time established by the board of directors of a credit union by the end of which shares in a member account earn dividend credit. The dividend period may be different for each type of account. (l) Dividend rate means the declared or prospective annual dividend rate paid on an account, which does not reflect compounding. For purposes of the account disclosures in § 707.4(b)(1)(i), the rate may, but need not, be referred to as the ''annual percentage rate'' in addition to being referred to as the ''dividend rate.'' (m) Extraordinary dividends means a non-repetitive dividend paid at an irregular time from funds legally available for such distribution. (n) Fixed-rate account means an account that is not a variable rate account as defined in paragraph (z) of this section. (o) Grace period means a period following the maturity of an automatically renewing term share account during which the member may withdraw funds without being assessed a penalty. (p) Interest means any payment to a member or to a member's account for the use of funds in a non-dividend bearing account at a state-chartered credit union offered pursuant to state law, calculated by application of a periodic rate to the balance. For purposes of this regulation, the term does not include the payment of a bonus or other consideration worth $10 or less given during a year, the waiver or reduction of a fee, the absorption of expenses, non-dividend membership benefits, or extraordinary dividends. Except as is specifically otherwise provided in this part, in the case of an interest-bearing account held in or offered by a state-chartered credit union pursuant to state law, the word ''interest'' shall be substituted for all references to ''dividend'' or ''dividends'' in this part. (q) Member means: (1) A natural person member of the credit union who holds an account primarily for personal, family, or household purposes; (2) A natural person nonmember who holds an account primarily for personal, family, or household purposes, either jointly with a natural person member or in a credit union designated as a low-income credit union, or to whom such an account is offered; and (3) A natural person nonmember who holds a deposit account in a state-chartered credit union pursuant to state law, or to whom such deposit account is offered. The term does not include a natural person who holds an account for another in a professional capacity or an unincorporated nonbusiness association of natural person members. (r) Non-dividend membership benefits mean any property or service provided by a credit union to its members, the nature of which makes its valuation unreasonable and administratively impracticable. (s) Passbook account means an account in which the member retains a book or other document in which the credit union records transactions on the account. (t) Periodic statement means a statement setting forth information about an account (other than a term share account or passbook account) that is provided to a member on a regular basis four or more times a year. (u) Potential member means a natural person within the credit union's field of membership (or an unincorporated nonbusiness association of such persons) or otherwise eligible to become a member as defined in paragraph (q) of this section. (v) State means a state, the District of Columbia, the Commonwealth of Puerto Rico, and any territory or possession of the United States. (w) Stepped-rate account means an account that has two or more dividend rates that take effect in succeeding periods and are known when the account is opened. (x) Term share account means any share certificate, interest-bearing certificate of deposit account, or other account with a maturity of at least seven days in which the member generally does not have a right to make withdrawals for six days after the account is opened, unless the account is subject to an early withdrawal penalty of at least seven days' dividends on amounts withdrawn, offered by a credit union to a member or potential member. (y) Tiered-rate account means an account that has two or more dividend rates that are applicable to specified balance levels. (z) Variable-rate account means a share, share draft, checking, or term share account in which the simple dividend rate may change after the account is opened, unless the credit union contracts to give at least thirty days advance written notice of rate decreases.
98		.3 – General disclosure requirements		X		§ 707.3 General disclosure requirements. (a) Form. Credit unions must make the disclosures required by §§707.4 through 707.6 of this part, as applicable, clearly and conspicuously, in writing, and in a form the member or potential member may keep. Credit unions may provide the disclosures required by this part to a member or potential member in electronic form, subject to compliance with the consent and other applicable provisions of the Electronic Signatures in Global and National Commerce Act (E-Sign Act), 15 U.S.C. 7001 et seq. Credit unions may provide the disclosures required by §§707.4(a)(2) and 707.8 to a member or potential member in electronic form without regard to the consent or other provisions of the E-Sign Act in the circumstances set forth in those sections. Disclosures for each account offered by a credit union may be presented separately or combined with disclosures for the credit union's other accounts, as long as it is clear which disclosures are applicable to the member or potential member's account. (b) General. The disclosures shall reflect the terms of the legal obligation between the member and the credit union. Disclosures may be made in languages other than English, provided the disclosures are available in English upon request. (c) Relation to Regulation E (12 CFR part 205). Disclosures required by and provided in accordance with the Electronic Fund Transfer Act (15 U.S.C. 1601) and its implementing Regulation E (12 CFR part 205) that are also required by this part may be substituted for the disclosures required by this part. (d) Multiple members. If an account is held by more than one member, disclosures may be made to any one of the members. (e) Oral responses to inquiries. In an oral response to a member or potential member's inquiry about dividend rates payable on its accounts, the credit union shall state the annual percentage yield. The dividend rate may be stated in addition to the annual percentage yield. No other rate may be stated. In stating a dividend rate and annual percentage yield, a credit union shall: (1) For dividend-bearing accounts other than term share accounts, specify a dividend rate and annual percentage yield as of the last dividend declaration date. In the event that disclosures of a dividend rate and annual percentage yield as of the last dividend declaration date might be inaccurate because of known or contemplated dividend rate changes, the credit union may disclose the prospective dividend rate and prospective annual percentage yield. Such prospective dividend rate and prospective annual percentage yield may be disclosed either in lieu of, or in addition to, the dividend rate and annual percentage yield as of the last dividend declaration date. (2) For interest-bearing accounts and for dividend bearing term share

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						accounts, specify an interest (dividend) rate and annual percentage yield that were offered within the most recent seven calendar days; state that the rate and yield are accurate as of an identified date; and provide a telephone number members may call to obtain current rate information. (f) Rounding and accuracy rules for rates and yields. (1) Rounding. The annual percentage yield, the annual percentage yield earned, and the dividend rate shall be rounded to the nearest one-hundredth of one percentage point (.01%) and expressed to two decimal places. For account disclosures, the dividend rate may be expressed to more than two decimal places. (2) Accuracy. The annual percentage yield (and the annual percentage yield earned) will be considered accurate if not more than one-twentieth of one percentage point (.05%) above or below the annual percentage yield (and the annual percentage yield earned) determined in accordance with the rules in appendix A of this part.
99		.4 – Account disclosures		X		§ 707.4 Account disclosures. (a) Delivery of account disclosures— (1) Account opening. (i) General. A credit union must provide account disclosures to a member or potential member before an account is opened or a service is provided, whichever is earlier. A credit union is deemed to have provided a service when a fee required to be disclosed is assessed. Except as provided in paragraph (a)(1)(ii) of this section, if a member or potential member is not present at the credit union when the account is opened or the service is provided and has not already received the disclosures, the credit union must mail or deliver the disclosures no later than 10 business days after the account is opened or the service is provided, whichever is earlier. (ii) Timing of electronic disclosures. If a member or potential member who is not present at the credit union uses electronic means, for example, an internet website, to open an account or request a service, the disclosures required under paragraph (a)(1) of this section must be provided before the account is opened or the service is provided. (2) Requests. (i) A credit union must provide account disclosures to a member or potential member upon request. If a member or potential member who is not present at the credit union makes a request, the credit union must mail or deliver the disclosures within a reasonable time after it receives the request and may provide the disclosures in paper form or electronically if the member or potential member agrees. (ii) In providing disclosures upon request, the credit union may: (A) Specify rates as follows: (1) For dividend-bearing accounts other than term share accounts, specify a dividend rate and annual percentage yield as of the last dividend declaration date. In the event that disclosures of a dividend rate and annual percentage yield as of the last dividend declaration date might be inaccurate because of known or contemplated dividend rate changes, the credit union may disclose the prospective dividend rate and prospective annual percentage yield. Such prospective dividend rate and prospective annual percentage yield may be disclosed either in lieu of, or in addition to, the dividend rate and annual percentage yield as of the last dividend declaration date. (2) For interest-bearing accounts and for dividend bearing term share accounts, specify an interest rate and annual percentage yield that were offered within the most recent seven calendar days; state that the rate and yield are accurate as of an identified date; and provide a telephone number members may call to obtain current rate information; and (B) State the maturity of a term share account as either a term or a date. (b) Content of account disclosures. Account disclosures shall include the following, as applicable: (1) Rate information. (i) Annual percentage yield and dividend rate. (A) For interest-bearing accounts and for dividend bearing term share accounts, the ‘‘annual percentage yield’’ and the ‘‘interest rate’’ (‘‘dividend rate’’), using those terms, and for fixed-rate accounts the period of time the interest (dividend) rate will be in effect. (B) For dividend-bearing accounts other than term share accounts, a credit union shall specify a dividend rate and annual percentage yield (using those terms) as of the last dividend declaration date. In the event that disclosures of a dividend rate and annual percentage yield as of the last dividend declaration date might be inaccurate because of known or contemplated dividend rate changes, the credit union may disclose the prospective dividend rate and prospective annual percentage yield. Such prospective dividend rate and prospective annual percentage yield may be disclosed either in lieu of, or in addition to, the dividend rate and annual percentage yield as of the last dividend declaration date. (ii) Variable rates. For variable-rate accounts: (A) The fact that the dividend rate and annual percentage yield may change; (B) How the dividend rate is determined; (C) The frequency with which the dividend rate may change; and (D) Any limitation on the amount the dividend rate may change. (2) Compounding and crediting. (i) Frequency. The frequency with which dividends are compounded and credited, and the dividend period for dividend-bearing accounts. (ii) Effect of closing an account. If members will forfeit dividends if they close an account before accrued dividends are credited, a statement that the dividends will not be paid in such cases. (3) Balance information. (i) Minimum balance requirements. Any minimum balance required to: (A) Open the account; (B) Avoid the imposition of a fee; or (C) Obtain the annual percentage yield disclosed. Except for the balance to open the account, the disclosure shall state how the balance is determined for these purposes. (ii) Balance computation method. An explanation of the balance computation method specified in § 707.7, used to calculate dividends on the account. (iii) When dividends begin to accrue. A statement of when dividends begin to accrue on noncash deposits. (4) Fees. The amount of any fee that may be imposed in connection with the account (or an explanation of how the fee will be determined) and the conditions under which the fee may be imposed. (5) Transaction limitations. Any limitations on the number or dollar amount of withdrawals or deposits. (6) Features of Term Share Accounts. For term share accounts: (i) Time requirements. The maturity date. (ii) Early withdrawal penalties. A statement that a penalty will be imposed for early withdrawal, how it is calculated, and the conditions for its assessment. (iii) Withdrawal of dividends prior to maturity. If compounding occurs and dividends may be withdrawn prior to maturity, a statement that the annual percentage yield assumes dividends remain in the account until maturity and that a withdrawal will reduce earnings. For accounts with a stated maturity greater than one year that do not compound dividends on an annual or more frequent basis, that require dividend payouts at least annually, and that disclose an APY determined in accordance with section E of appendix A of this part, a statement that dividends cannot remain on account and that payout of dividends is mandatory. (iv) Renewal policies. A statement of whether or not the account will renew automatically at maturity. If it will, a statement of whether or not a grace period will be provided and, if so, the length of that period must be stated. If the account will not renew automatically, a statement of whether dividends will be paid after maturity if the member does not renew the account must be stated. (7) Bonuses. The amount or type of any bonus, when the bonus will be provided, and any minimum balance and time requirements to obtain the bonus. (8) Nature of dividends. For accounts earning dividends, other than term share accounts, a statement that dividends are paid from current income and available earnings, after required transfers to reserves at the end of a dividend period. (c) Notice to existing account holders. (1) Notice of availability of disclosures. Credit unions shall provide a notice to members who receive periodic statements and who hold existing accounts of the type offered by the credit union on January 1, 1995. The notice shall be included on or with the first periodic statement sent after January 1, 1995 (or on or with the first periodic statement for a statement cycle beginning on or after that date). The notice shall state that the members may request account disclosures containing terms, fees, and rate information for the account. In responding to such a request, credit unions shall provide disclosures in accordance with paragraph (a)(2) of this section. (2) Alternative to notice. As an alternative to the notice described in paragraph (c)(1) of this section, credit unions may provide account disclosures to members. The disclosures may be provided either with a periodic statement or separately, but must be sent no later than when the periodic statement described in paragraph (c)(1) of this section is sent.
100		.5 – Subsequent disclosures		X		§ 707.5 Subsequent disclosures. (a) Change in terms. (1) Advance notice required. A credit union shall give advance notice to affected members of any change in a term required to be disclosed under § 707.4(b), if the change may reduce the annual percentage yield or adversely affect the member. The notice shall include the effective date of the change. The notice shall be mailed or delivered at least 30 calendar days before the effective date of the change. (2) No notice required. No notice under this section is required for: (i) Variable-rate changes. Changes in the dividend rate and corresponding changes in the annual percentage yield in variable-rate accounts. (ii) Share draft and check printing fees. Changes in fees for check printing. (iii) Short-term term share accounts. Changes in any term for term share accounts with maturities of one month or less. (b) Notice before maturity for term share accounts longer than one month that renew automatically. For term share accounts with a maturity longer than one month that renew automatically at maturity, credit unions shall provide the disclosures described below before maturity. The disclosures shall be mailed or delivered at least 30 calendar days before maturity of the existing account. Alternatively, the disclosures may be mailed or delivered at least 20

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						calendar days before the end of the grace period on the existing account, provided a grace period of at least five calendar days is allowed. (1) Maturities of longer than one year. If the maturity is longer than one year, the credit union shall provide account disclosures set forth in § 707.4(b) for the new account, along with the date the existing account matures. If the dividend rate and annual percentage yield that will be paid for the new account are unknown when disclosures are provided, the credit union shall state that those rates have not yet been determined, the date when they will be determined, and a telephone number members may call to obtain the dividend rate and the annual percentage yield that will be paid for the new account. (2) Maturities of one year or less but longer than one month. If the maturity is one year or less but longer than one month, the credit union shall either: (i) Provide disclosures as set forth in paragraph (b)(1) of this section; or (ii) Disclose to the member: (A) The date the existing account matures and the new maturity date if the account is renewed; (B) The dividend rate and the annual percentage yield for the new account if they are known (or that those rates have not yet been determined, the date when they will be determined, and a telephone number the member may call to obtain the dividend rate and the annual percentage yield that will be paid for the new account); and (C) Any difference in the terms of the new account as compared to the terms required to be disclosed under § 707.4(b) for the existing account. (c) Notice before maturity for term share accounts longer than one year that do not renew automatically. For term share accounts with a maturity longer than one year that do not renew automatically at maturity, credit unions shall disclose to members the maturity date and whether dividends will be paid after maturity. The disclosures shall be mailed or delivered at least 10 calendar days before maturity of the existing account.
101		.6 – Periodic statement disclosures		X		§ 707.6 Periodic statement disclosures. (a) Rule when statement and crediting periods vary. In making the disclosures described in paragraph (b) of this section, credit unions that calculate and credit dividends for a period other than the statement period, such as the dividend period, may calculate and disclose the annual percentage yield earned and amount of dividends earned based on that period rather than the statement period. The information in paragraph (b)(4) shall be stated for that period as well as for the statement period. (b) Statement disclosures. If a credit union mails or delivers a periodic statement, the statement shall include the following disclosures: (1) Annual percentage yield earned. The ‘‘annual percentage yield earned,’’ using that term as calculated according to the rules in Appendix A of this part. (2) Amount of dividends. The dollar amount of dividends earned (accrued or paid and credited) on the account. The dollar amount of any extraordinary dividends earned during the statement period shall be shown as a separate figure. (3) Fees imposed. Fees required to be disclosed under § 707.4(b)(4) of this part that were debited from the account during the statement period. The fees must be itemized by type and dollar amounts. Except as provided in § 707.11(a) (1) of this part, when fees of the same type are imposed more than once in a statement period, a credit union may itemize each fee separately or group the fees together and disclose a total dollar amount for all fees of that type. (4) Length of period. The total number of days in the statement period, or the beginning and ending dates of the period.
102		.7 – Payment of dividends		X		§ 707.7 Payment of dividends. (a) Permissible methods. (1) Balance on which dividends are calculated. Credit unions shall calculate dividends on the full amount of principal in an account for each day by use of either the daily balance method or the average daily balance method. Credit unions shall calculate dividends by use of a daily rate of at least 1/365 of the dividend rate. In a leap year a daily rate of 1/366 of the dividend rate may be used. (2) Determination of minimum balance to earn dividends. A credit union shall use the same method to determine any minimum balance required to earn dividends as it uses to determine the balance on which dividends are calculated. A credit union may use an additional method that is unequivocally beneficial to the member. (b) Compounding and crediting policies. This section does not require credit unions to compound or credit dividends at any particular frequency. (c) Date dividends begin to accrue. Dividends shall begin to accrue not later than the day specified in § 606 of the Expedited Funds Availability Act (12 U.S.C. 4005) and implementing Regulation CC (12 CFR part 229). Dividends shall accrue on funds until the day funds are withdrawn.
103		.8 – Advertising		X		§ 707.8 Advertising. (a) Misleading or inaccurate advertisements. An advertisement must not: (1) Be misleading or inaccurate or misrepresent a credit union’s account agreement; or (2) Refer to or describe an account as ‘‘free’’ or ‘‘no cost’’ or contain a similar term if any maintenance or activity fee may be imposed on the account. The word ‘‘profit’’ must not be used in referring to dividends or interest paid on an account. (b) Permissible rates. If an advertisement states a rate of return, it shall state the rate as an ‘‘annual percentage yield,’’ using that term. (The abbreviation ‘‘APY’’ may be used provided the term ‘‘annual percentage yield’’ is stated at least once in the advertisement.) The advertisement shall not state any other rate, except that the ‘‘dividend rate,’’ using that term, may be stated in conjunction with, but not more conspicuously than, the annual percentage yield to which it relates. (c) When additional disclosures are required. Except as provided in paragraph (e) of this section, if the annual percentage yield is stated in an advertisement, the advertisement shall state the following information, to the extent applicable, clearly and conspicuously: (1) Variable rates. For variable-rate accounts, a statement that the rate may change after the account is opened. (2) Time annual percentage yield is offered. For interest-bearing accounts and dividend-bearing term share accounts, the period of time the annual percentage yield will be offered, or a statement that the annual percentage yield is accurate as of a specified date. For dividend-bearing accounts other than term share accounts, a statement that the annual percentage yield is accurate as of the last dividend declaration date. In the event that disclosure of an annual percentage yield as of the last dividend declaration date might be inaccurate because of known or contemplated dividend rate changes, the credit union may disclose the prospective annual percentage yield. Such prospective annual percentage yield may be disclosed either in lieu of, or in addition to, the dividend rate and annual percentage yield as of the last dividend declaration date. (3) Minimum balance. The minimum balance required to earn the advertised annual percentage yield. For tiered rate accounts, the minimum balance required for each tier shall be stated in close proximity and with equal prominence to the applicable annual percentage yield. (4) Minimum opening deposit. The minimum deposit required to open the account, if it is greater than the minimum balance necessary to earn the advertised annual percentage yield. (5) Effect of fees. A statement that fees could reduce the earnings on the account. (6) Features of term share accounts. For term share accounts: (i) Time requirements. The term of the account. (ii) Early withdrawal penalties. A statement that a penalty will or may be imposed for early withdrawal. (iii) Required dividend payouts. For non-compounding term share accounts with a stated maturity greater than one year that do not compound dividends on an annual or more frequent basis, that require dividend payouts at least annually, and that disclose an APY determined in accordance with section E of appendix A of this part, a statement that dividends cannot remain on account and that payout of dividends is mandatory. (d) Bonuses. Except as provided in paragraph (e) of this section, if a bonus is stated in an advertisement, the advertisement shall state the following information, to the extent applicable, clearly and conspicuously: (1) The ‘‘annual percentage yield,’’ using that term; (2) The time requirements to obtain the bonus; (3) The minimum balance required to obtain the bonus; (4) The minimum balance required to open the account, if it is greater than the minimum balance necessary to obtain the bonus; and (5) When the bonus will be provided. (e) Exemption for certain advertisements. (1) Certain media. If an advertisement is made through one of the following media, it need not contain the information in paragraphs (c)(1), (c)(2), (c)(4), (c)(5), (c) (6)(ii), (d)(4) and (d)(5) of this section: (i) Broadcast or electronic media, such as television or radio; (ii) Outdoor media, such as billboards; or (iii) Telephone response machines. (2) Indoor signs. (i) Signs inside the premises of a credit union (or the premises of a share or deposit broker) are not subject to paragraphs (b), (c), (d) or (e)(1) of this section. (ii) If a sign exempted by paragraph (e)(2) of this section states a rate of return, it shall: (A) State the rate as an ‘‘annual percentage yield,’’ using that term or the term ‘‘APY.’’ The sign shall not state any other rate, except that the dividend rate may be stated in conjunction with the annual percentage yield to which it relates. (B) Contain a statement advising members to contact an employee for further information about applicable fees and terms. (3) Newsletters. (i) Newsletters sent by a credit union to existing members only are not subject to paragraphs (b), (c), (d) or (e)(1) of this section. (ii) If a newsletter exempted by paragraph (e)(3) of this section states a rate of return, it shall: (A) State the rate as an ‘‘annual percentage yield,’’ using that term or the term ‘‘APY.’’ The newsletter shall not state any other rate, except that the dividend rate may be stated in conjunction with the annual percentage yield to which it relates. (B) Contain a statement advising members to contact an employee for further information about applicable fees and terms. (f)

#	NCUA Regulation	Part	Insurance Regulatory Related	Non-Insurance and Consumer Regulatory Related	Description	Rule/Regulation
						Additional disclosures in connection with the payment of overdrafts. Credit unions that promote the payment of overdrafts in an advertisement must include in the advertisement the disclosures required by § 707.11(b) of this part.
104		.9 – Enforcement and record retention		X		§ 707.9 Enforcement and record retention. (a) Administrative enforcement. Section 270 of TISA (12 U.S.C. 4309) contains the provisions relating to administrative sanctions for failure to comply with the requirements of TISA and this part. (b) Civil liability. Section 271 of TISA (12 U.S.C. 4310) contains the provisions relating to civil liability for failure to comply with the requirements of TISA and this part; Section 271 is repealed effective September 30, 2001. (c) Record retention. A credit union shall retain evidence of compliance with this regulation for a minimum of two years after the date disclosures are required to be made or action is required to be taken.
105		.10 – Reserved				
106		.11- Additional disclosure requirements for overdraft services.		X		§ 707.11 Additional disclosure requirements for overdraft services. (a) Disclosure of total fees on periodic statements. (1) General. A credit union must separately disclose on each periodic statement, as applicable: (i) The total dollar amount for all fees or charges imposed on the account for paying checks or other items when there are insufficient or unavailable funds and the account becomes overdrawn; and (ii) The total dollar amount for all fees or charges imposed on the account for returning items unpaid. (2) Totals required. The disclosures required by paragraph (a)(1) of this section must be provided for the statement period and for the calendar year-to-date. (3) Format requirements. The aggregate fee disclosures required by paragraph (a) of this section must be disclosed in close proximity to fees identified under §707.6(a)(3), using a format substantially similar to Sample Form B-10 in appendix B. (b) Advertising disclosures for overdraft services. (1) Disclosures. Except as provided in paragraphs (b) (2),(b)(3), and (b)(4) of this section, any advertisement promoting the payment of overdrafts must disclose in a clear and conspicuous manner: (i) The fee or fees for the payment of each overdraft; (ii) The categories of transactions for which a fee for paying an overdraft may be imposed; (iii) The time period by which the member must repay or cover any overdraft; and (iv) The circumstances under which the credit union will not pay an overdraft. (2) Communications about the payment of overdrafts not subject to additional advertising disclosures. Paragraph (b)(1) of this section does not apply to: (i) An advertisement promoting a service where the credit union's payment of overdrafts will be agreed upon in writing and subject to part 226 of this title (Regulation Z); (ii) A communication by a credit union about the payment of overdrafts in response to a member-initiated inquiry about share accounts or overdrafts. Providing information about the payment of overdrafts in response to a balance inquiry made through an automated system, such as a telephone response machine, ATM, or a credit union's Internet site, is not a response to a member initiated inquiry for purposes of this paragraph; (iii) An advertisement made through broadcast or electronic media, such as television or radio; (iv) An advertisement made on outdoor media, such as billboards; (v) An ATM receipt; (vi) An in-person discussion with a member; (vii) Disclosures required by Federal or other applicable law; (viii) Information included on a periodic statement or a notice informing a member about a specific overdrawn item or the amount the account is overdrawn; (ix) A term in a share account agreement discussing the credit union's right to pay overdrafts; (x) A notice provided to a member, such as at an ATM, that completing a requested transaction may trigger a fee for overdrawing an account, or a general notice that items overdrawing an account may trigger a fee; (xi) Informational or educational materials concerning the payment of overdrafts if the materials do not specifically describe the credit union's overdraft service; or (xii) An opt-out or opt-in notice regarding the credit union's payment of overdrafts or provision of discretionary overdraft services. (3) Exception for ATM screens and telephone response machines. The disclosures described in paragraphs (b) (1)(ii) and (b)(1)(iv) of this section are not required in connection with any advertisement made on an ATM screen or using a telephone response machine. (4) Exception for indoor signs. Paragraph (b)(1) of this section does not apply to advertisements for the payment of overdrafts on indoor signs as described by § 707.8(e)(2) of this part, provided that the sign contains a clear and conspicuous statement that fees may apply and that members should contact an employee for further information about applicable fees and terms. For purposes of this paragraph (b)(4), an indoor sign does not include an ATM screen. (c) Disclosure of account balances. If a credit union discloses balance information to a member through an automated system, the balance may not include additional amounts that the credit union may provide to cover an item when there are insufficient or unavailable funds in the member's account, whether under a service provided in its discretion, a service subject to part 226 of this title (Regulation Z), or a service to transfer funds from another member account. The credit union may, at its option, disclose additional account balances that include such additional amounts, if the credit union prominently states that any such balance includes such additional amounts and, if applicable, that additional amounts are not available for all transactions.
107	**§712 – Credit Union Service Organizations**	**.1 – what does this part cover?**			**This entire section of NCUAs regulations deal with the structure and operations of a CUSO. The compliance or non-compliance with these regulations could have a direct or indirect impact on the financial condition of an FCU.**	
108		.2- How much can an FCU invest in or loan to CUSOs, and what parties may participate?	X			§ 712.2 How much can an FCU invest in or loan to CUSO s, and what parties may participate? (a) Investments. An FCU's total investments in CUSOs must not exceed, in the aggregate, 1% of its paid-in and unimpaired capital and surplus as of its last calendar yearend financial report. (b) Loans. An FCU's total loans to CUSOs must not exceed, in the aggregate, 1% of its paid-in and unimpaired capital and surplus as of its last calendar year-end financial report. Loan authority is independent and separate from the 1% investment authority of subsection (a) of this section. (c) Parties. An FCU may invest in or loan to a CUSO by itself, or with non-credit union parties. (d) Measurement for calculating regulatory limitation. For purposes of paragraphs (a) and (b) of this section: (1) Paid-in and unimpaired capital and surplus means shares plus post-closing, undivided earnings (this does not include regular reserves or special reserves required by law, regulation or special agreement between the credit union and its regulator or share insurer); and (2) Total investments in and total loans to CUSOs will be measured consistent with GAAP. (3) Special rule in the case of less than adequately capitalized FCUs. This rule applies in the case of either an FCU that is currently less than adequately capitalized, as determined under part 702, or where the making of an investment in a CUSO would render the FCU less than adequately capitalized under part 702. Before making an investment in a CUSO, the FCU must obtain prior written approval from the appropriate NCUA regional office if the making of the investment would result in an aggregate cash outlay, measured on a cumulative basis (regardless of how the investment is valued for accounting purposes) in an amount in excess of one percent of the credit union's paid in and unimpaired capital and surplus. (e) Divestiture. If the limitations in paragraph (a) of this section are reached or exceeded because of the profitability of the CUSO and the related GAAP valuation of the investment under the equity method,

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						without an additional cash outlay by the FCU, divestiture is not required. An FCU may continue to invest up to 1% without regard to the increase in the GAAP valuation resulting from a CUSO's profitability.
109		.3 – What are the characteristics of and what requirements apply to CUSOs?	X			§ 712.3 What are the characteristics of and what requirements apply to CUSO s? (a) Structure. An FCU can invest in or loan to a CUSO only if the CUSO is structured as a corporation, limited liability company, or limited partnership. An FCU may only participate in a limited partnership as a limited partner. For purposes of this part, ''corporation'' means a legally incorporated corporation as established and maintained under relevant federal or state law. For purposes of this part, ''limited partnership'' means a legally established limited partnership as established and maintained under relevant state law. For purposes of this part, ''limited liability company'' means a legally established limited liability company as established and maintained under relevant state law, provided that the FCU obtains written legal advice that the limited liability company is a recognized legal entity under the applicable laws of the state of formation and that the limited liability company is established in a manner that will limit potential exposure of the FCU to no more than the amount of funds invested in, or loaned to, the CUSO. (b) Customer base. An FCU can invest in or loan to a CUSO only if the CUSO primarily serves credit unions, its membership, or the membership of credit unions contracting with the CUSO; provided, however, that with respect to any approved CUSO service, as set out in §712.5, that also meets the description of services set out in §701.30 of this chapter, this requirement is met if the CUSO primarily provides such services to persons who are eligible for membership in the FCU or are eligible for membership in credit unions contracting with the CUSO. (c) Federal credit union accounting for financial reporting purposes. An FCU must account for its investments in or loans to a CUSO in conformity with ''generally accepted accounting principles'' (GAAP). (d) CUSO accounting; audits and financial statements; NCUA access to information. An FCU must obtain written agreements from a CUSO, prior to investing in or lending to the CUSO, that the CUSO will: (1) Account for all its transactions in accordance with GAAP; (2) Prepare quarterly financial statements and obtain an annual financial statement audit of its financial statements by a licensed certified public accountant in accordance with generally accepted auditing standards. A wholly owned CUSO is not required to obtain a separate annual financial statement audit if it is included in the annual consolidated financial statement audit of the credit union that is its parent; and (3)(i) Provide NCUA, its representatives, and the state credit union regulatory authority having jurisdiction over any federally insured, state-chartered credit union with an outstanding loan to, investment in or contractual agreement for products or services with the CUSO with complete access to any books and records of the CUSO and the ability to review CUSO internal controls, as deemed necessary by NCUA or the state credit union regulatory authority in carrying out their respective responsibilities under the Act and the relevant state credit union statute. (ii) The effective date for compliance with this section is June 29, 2009. (e) Other laws. A CUSO must comply with applicable Federal, state and local laws.
110		.4 -What must an FCU and a CUSO do to maintain separate corporate identities?	X			§ 712.4 What must an FCU and a CUSO do to maintain separate corporate identities? (a) Corporate separateness. An FCU and a CUSO must be operated in a manner that demonstrates to the public the separate corporate existence of the FCU and the CUSO. Good business practices dictate that each must operate so that: (1) Its respective business transactions, accounts, and records are not intermingled; (2) Each observes the formalities of its separate corporate procedures; (3) Each is adequately financed as a separate unit in the light of normal obligations reasonably foreseeable in a business of its size and character; (4) Each is held out to the public as a separate enterprise; (5) The FCU does not dominate the CUSO to the extent that the CUSO is treated as a department of the FCU; and (6) Unless the FCU has guaranteed a loan obtained by the CUSO, all borrowings by the CUSO indicate that the FCU is not liable. (b) Legal opinion. Prior to an FCU investing in a CUSO, the FCU must obtain written legal advice as to whether the CUSO is established in a manner that will limit potential exposure of the FCU to no more than the loss of funds invested in, or lent to, the CUSO. In addition, if a CUSO in which an FCU has an investment plans to change its structure under § 712.3(a), an FCU must also obtain prior, written legal advice that the CUSO will remain established in a manner that will limit potential exposure of the FCU to no more than the loss of funds invested in, or loaned to, the CUSO. The legal advice must address factors that have led courts to ''pierce the corporate veil'' such as inadequate capitalization, lack of separate corporate identity, common boards of directors and employees, control of one entity over another, and lack of separate books and records. The legal advice may be provided by independent legal counsel of the investing FCU or the CUSO.
111		.5 – What activities and services are preapproved for CUSOs?	X			§ 712.5 What activities and services are preapproved for CUSO s? NCUA may at any time, based upon supervisory, legal, or safety and soundness reasons, limit any CUSO activities or services, or refuse to permit any CUSO activities or services. Otherwise, an FCU may invest in, loan to, and/ or contract with only those CUSOs that are sufficiently bonded or insured for their specific operations and engaged in the preapproved activities and services related to the routine daily operations of credit unions. The specific activities listed within each preapproved category are provided in this section as illustrations of activities permissible under the particular category, not as an exclusive or exhaustive list. (a) Checking and currency services: (1) Check cashing; (2) Coin and currency services; (3) Money order, savings bonds, travelers checks, and purchase and sale of U.S. Mint commemorative coins services; and (4) Stored value products; (b) Clerical, professional and management services: (1) Accounting services; (2) Courier services; (3) Credit analysis; (4) Facsimile transmissions and copying services;(5) Internal audits for credit unions;(6) Locator services;(7) Management and personnel training and support;(8) Marketing services;(9) Research services;(10) Supervisory committee audits; and (11) Employee leasing services;(c) Business loan origination, including authority to buy and sell participation interests in such loans;(d) Consumer mortgage loan origination, including the authority to buy and sell participation interests in such loans; (e) Electronic transaction services:(1) Automated teller machine (ATM) services;(2) Credit card and debit card services;(3) Data processing;(4) Electronic fund transfer (EFT) services; (5) Electronic income tax filing;(6) Payment item processing;(7) Wire transfer services; and (8) Cyber financial services; (f) Financial counseling services: (1) Developing and administering Individual Retirement Accounts (IRA), Keogh, deferred compensation, and other personnel benefit plans; (2) Estate planning; (3) Financial planning and counseling;(4) Income tax preparation; (5) Investment counseling; (6) Retirement counseling; and (7) Business counseling and consultant services; (g) Fixed asset services and consultant:(1) Management, development, sale, or lease of fixed assets; and (2) Sale, lease, or servicing of computer hardware or software; (h) Insurance brokerage or agency: (1) Agency for sale of insurance; (2) Provision of vehicle warranty programs; (3) Provision of group purchasing programs; and (4) Real estate settlement services; (i) Leasing:(1) Personal property; and (2) Real estate leasing of excess CUSO property; (j) Loan support services: (1) Debt collection services; (2) Loan processing, servicing, and sales; (3) Sale of repossessed collateral; (4) Real estate settlement services; (5) Purchase and servicing of non-performing loans; and (6) Referral and processing of loan applications for members whose loan applications have been denied by the credit union; (k) Record retention, security and disaster recovery services:(1) Alarm-monitoring and other security services; (2) Disaster recovery services; (3) Microfilm, microfiche, optical and electronic imaging, CD–ROM data storage and retrieval services; (4) Provision of forms and supplies; and (5) Record retention and storage; (l) Securities brokerage services; (m) Shared credit union branch (service center) operations; (n) Student loan origination, including the authority to buy and sell participation interests in such loans; (o) Travel agency services; (p) Trust and trust-related services: (1) Acting as administrator for prepaid legal service plans; (2) Acting as trustee, guardian, conservator, estate administrator, or in any other fiduciary capacity; and (3) Trust services.(q) Real estate brokerage services. (r) CUSO investments in non-CUSO service providers: In connection with providing a permissible service, a CUSO may invest in a non-CUSO service provider. The amount of the CUSO's investment is limited to the amount necessary to participate in the service provider, or a greater amount if necessary to receive a reduced price for goods or services. (s) Credit card loan origination; (t) Payroll processing services.
112		.6 – What	X			§ 712.6 What activities and services are prohibited for CUSO s? General. CUSOs must not acquire control of, either directly or indirectly, another depository financial institution, nor invest in

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		activities and services are prohibited for CUSOs?				shares, stocks, or obligations of an insurance company, trade association, liquidity facility or similar organization, corporation, or association.
113		.7 – Reserved				
114		.8 – What transaction and comp. limits apply to an FCU and a CUSO ?	X			§ 712.8 What transaction and compensation limits might apply to individuals related to both an FCU and a CUSO ? (a) Officials and Senior Management Employees. The officials, senior management employees, and their immediate family members of an FCU that has outstanding loans or investments in a CUSO must not receive any salary, commission, investment income, or other income or compensation from the CUSO either directly or indirectly, or from any person being served through the CUSO. This provision does not prohibit such FCU officials or senior management employees from assisting in the operation of a CUSO, provided the officials or senior management employees are not compensated by the CUSO. Further, the CUSO may reimburse the FCU for the services provided by such FCU officials and senior management employees only if the account receivable of the FCU due from the CUSO is paid in full at least every 120 days. For purposes of this paragraph (a), ‘‘official’’ means affiliated credit union directors or committee members. For purposes of this paragraph (a), ‘‘senior management employee’’ means affiliated credit union chief executive officer (typically this individual holds the title of President or Treasurer/ Manager), any assistant chief executive officers (e.g. Assistant President, Vice President, or Assistant Treasurer/ Manager) and the chief financial officer (Comptroller). For purposes of this paragraph (a), ‘‘immediate family member’’ means a spouse or other family members living in the same household. (b) Employees. The prohibition contained in paragraph (a) of this section also applies to FCU employees not otherwise covered if the employees are directly involved in dealing with the CUSO unless the FCU’s board of directors determines that the FCU employees’ positions do not present a conflict of interest. (c) Others. All transactions with business associates or family members of FCU officials, senior management employees, and their immediate family members, not specifically prohibited by paragraphs (a) and (b) of this section must be conducted at arm’s length and in the interest of the FCU.
115		.9 – When must an FCU comply with this part?	X			§ 712.9 When must an FCU comply with this part? (a) Investments. An FCU’s investments in CUSOs in existence prior to April 1, 1998, must conform with this part not later than April 1, 2001, unless the Board grants prior approval to continue such investment for a stated period. (b) Loans. An FCU’s loans to CUSOs in existence prior to April 1, 1998, must conform with this part not later than April 1, 2001, unless: (1) The Board grants prior approval to continue the FCU’s loan for a stated period; or (2) Under the terms of its loan agreement, the FCU cannot require accelerated repayment without breaching the agreement.
117	§713–Fidelity Bond and Insurance Coverage for Federal Credit Unions	§ 713.1 What is the scope of this section?			This section provides the requirements for fidelity bonds for Federal credit union employees and officials and for other insurance coverage for losses such as theft, holdup, vandalism, etc., caused by persons outside the credit union.	§ 713.1 What is the scope of this section? This section provides the requirements for fidelity bonds for Federal credit union employees and officials and for other insurance coverage for losses such as theft, holdup, vandalism, etc., caused by persons outside the credit union.
118		§ 713.2 What are the responsibilities of a credit union’s board of directors under this section?	X		This section requires an annual review of fidelity insurance coverage.	§ 713.2 What are the responsibilities of a credit union’s board of directors under this section? The board of directors of each Federal credit union must at least annually review its fidelity and other insurance coverage to ensure that it is adequate in relation to the potential risks facing the credit union and the minimum requirements set by the Board.
119		§ 713.3 What bond coverage must a credit union have?	X		This section outlines minimum bond coverage requirements.	§ 713.3 What bond coverage must a credit union have? At a minimum, your bond coverage must: (a) Be purchased in an individual policy from a company holding a certificate of authority from the Secretary of the Treasury; and (b) Include fidelity bonds that cover fraud and dishonesty by all employees, directors, officers, supervisory committee members, and credit committee members.
120		§ 713.4 What bond forms may be used?	X		This section defines the types of bond forms allowable.	§ 713.4 What bond forms may be used? (a) A current listing of basic bond forms that may be used without prior NCUA Board approval is on NCUA’s website, http://www.ncua.gov. If you are unable to access the NCUA Web site, you can get a current listing of approved bond forms by contacting NCUA’s Public and Congressional Affairs Office, at (703) 518–6330. (b) To use any of the following, you need prior written approval from the Board: (1) Any other basic bond form; or (2) Any rider or endorsement that limits coverage of approved basic bond forms.
121		§ 713.5 What is the required minimum dollar amount of coverage?	X		This section provides the minimum dollar coverage for bonds based on total assets.	§ 713.5 What is the required minimum dollar amount of coverage? (a) The minimum required amount of fidelity bond coverage for any single loss is computed based on a federal credit union’s total assets. Assets Minimum bond $0 to $4,000,000, Lesser of total assets or $250,000.00 ; $4,000,001 to $50,000,000, $100,000 plus $50,000 for each million or fraction thereof over $1,000,000. $50,000,000 to $500,000,000, $2,550,000 plus $10,000 for each million or fraction thereof over $50,000,000, to a maximum of $5,000,000. Over $500,000,000, One percent of assets, rounded to the nearest hundred million, to a maximum of 9,000,000. (b) This is the minimum coverage required, but a federal credit union’s board of directors should purchase additional or enhanced coverage when its circumstances warrant. In making this determination, a board of directors should consider its own internal risk assessment, its fraud trends and loss experience, and factors such as its cash on hand, cash in transit, and the nature and risks inherent in any expanded services it offers such as wire transfer and remittance services. (c) While the above is the required minimum amount of bond coverage, credit unions should maintain increased coverage equal to the greater of either of the following amounts within thirty days of

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						discovery of the need for such increase: (1) The amount of the daily cash fund, i.e. daily cash plus anticipated daily money receipts on the credit union's premises, or (2) The total amount of the credit union's money in transit in any one shipment. (3) Increased coverage is not required pursuant to paragraph (c) of this section, however, when the credit union temporarily increased its cash fund because of unusual events which cannot reasonably be expected to recur. Reserve is set up for the excess. In computing the maximum deductible, valuation accounts such as the allowance for loan losses cannot be considered. (c) A credit union's eligibility to qualify for a deductible in excess of $200,000 is determined based on it having assets in excess of $1 million as reflected in its most recent year-end 5300 call report and, as of that same year-end, qualifying for NCUA's Regulatory Flexibility Program under part 742 of this title as determined by its most recent examination report. A credit union that previously qualified for a deductible in excess of $200,000, but that subsequently fails to qualify based on its most recent year-end 5300 call report because either its assets have decreased or it no longer meets the net worth requirements of part 742 of this title or fails to meet the CAMEL rating requirements of part 742 of this title as determined by its most recent examination report, must obtain the coverage otherwise required by paragraph (b) of this section within 30 days of filing its year-end call report and must notify the appropriate NCUA regional office in writing of its changed status and confirm that it has obtained the required coverage.
122		§ 713.6 What is the permissible deductible?	X		This section prescribes the maximum deductible allowable by asset size.	§ 713.6 What is the permissible deductible? (a)(1) The maximum amount of allowable deductible is computed based on a federal credit union's asset size and capital level, as follows: Assets Maximum deductible $0 to $100,000 No deductible allowed. $100,001 to $250,000 $1,000. $250,000 to $1,000,000 $2,000. Over $1,000,000 $2,000 plus 1/1000 of total assets up to a maximum of $200,000; for credit unions over $1 million in assets that qualify for NCUA's Regulatory Flexibility Program in Part 742, the maximum deductible is $1,000,000. (2) The deductibles may apply to one or more insurance clauses in a policy. Any deductibles in excess of the above amounts must receive the prior written permission of the NCUA Board. (b) A deductible may not exceed 10 percent of a credit union's Regular Reserve unless a separate Contingency Reserve is set up for the excess. In computing the maximum deductible, valuation accounts such as the allowance for loan losses cannot be considered. (c) A credit union's eligibility to qualify for a deductible in excess of $200,000 is determined based on it having assets in excess of $1 million as reflected in its most recent year-end 5300 call report and, as of that same year-end, qualifying for NCUA's Regulatory Flexibility Program under part 742 of this title as determined by its most recent examination report. A credit union that previously qualified for a deductible in excess of $200,000, but that subsequently fails to qualify based on its most recent year-end 5300 call report because either its assets have decreased or it no longer meets the net worth requirements of part 742 of this title or fails to meet the CAMEL rating requirements of part 742 of this title as determined by its most recent examination report, must obtain the coverage otherwise required by paragraph (b) of this section within 30 days of filing its year-end call report and must notify the appropriate NCUA regional office in writing of its changed status and confirm that it has obtained the required coverage.
123		§ 713.7 May the NCUA Board require a credit union to secure additional insurance coverage?	X		This section outlines the conditions by which the NCUA Board may require additional insurance coverage.	§ 713.7 May the NCUA Board require a credit union to secure additional insurance coverage? The NCUA Board may require additional coverage when the Board determines that a credit union's current coverage is inadequate. The credit union must purchase this additional coverage within 30 days.
124	**§714 – Leasing**	**.1 – What does this part cover?**			**This entire section of NCUAs regulations deals with the ability of FCUs to enter into leasing agreements and sets parameters on types of leases and limitations on financial arrangements. The compliance or non-compliance with this part could have a direct or indirect impact on the financial condition of the credit union.**	124
125		.2 – What are the permissible leasing arrangements?	X			§ 714.2 What are the permissible leasing arrangements? (a) You may engage in direct leasing. In direct leasing, you purchase personal property from a vendor, becoming the owner of the property at the request of your member, and then lease the property to that member. (b) You may engage in indirect leasing. In indirect leasing, a third party leases property to your member and you then purchase that lease from the third party for the purpose of leasing the property to your member. You do not have to purchase the leased property if you comply with the requirements of § 714.3. (c) You may engage in open-end leasing. In an open-end lease, your member assumes the risk and responsibility for any difference in the estimated residual value and the actual value of the property at lease end. (d) You may engage in closed-end leasing. In a closed end lease, you assume the risk and responsibility for any difference in the estimated residual value and the actual value of the property at lease end. However, your member is always responsible for any excess wear and tear and excess mileage charges as established under the lease.
126		.3 – Must you own the leased property in an indirect leasing arrangement?	X			§ 714.3 Must you own the leased property in an indirect leasing arrangement? You do not have to own the leased property in an indirect leasing arrangement if: (a) You obtain a full assignment of the lease. A full assignment is the assignment of all the rights, interests, obligations, and title in a lease to you, that is, you become the owner of the lease; (b) You are named as the sole lien holder of the leased property; (c) You receive a security agreement, signed by the leasing company, granting you a sole lien in the leased property and the right to take possession and dispose of the leased property in the event of a default by the lessee, a default in the leasing company's obligations to you, or a material adverse change in the leasing company's financial condition; and (d) You take all necessary steps to record and perfect your security interest in the leased property. Your state's Commercial Code may treat the automobiles as inventory, and require a filing with the Secretary of State.

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127		.4 – What are the lease requirements?	X			§ 714.4 What are the lease requirements? (a) Your lease must be a net lease. In a net lease, your member assumes all the burdens of ownership including maintenance and repair, licensing and registration, taxes, and insurance; (b) Your lease must be a full payout lease. In a full payout lease, you must reasonably expect to recoup your entire investment in the leased property, plus the estimated cost of financing, from the lessee's payments and the estimated residual value of the leased property at the expiration of the lease term; and (c) The amount of the estimated residual value you rely upon to satisfy the full payout lease requirement may not exceed 25% of the original cost of the leased property unless the amount above 25% is guaranteed. Estimated residual value is the projected value of the leased property at lease end. Estimated residual value must be reasonable in light of the nature of the leased property and all circumstances relevant to the leasing arrangement.
128		.5 – What is required if you rely on an estimated residual value greater than 25% of the original cost of the leased property?	X			§ 714.5 What is required if you rely on an estimated residual value greater than 25% of the original cost of the leased property? If the amount of the estimated residual value you rely upon to satisfy the full payout lease requirement of §714.4(b) exceeds 25% of the original cost of the leased property, a financially capable party must guarantee the excess. The guarantor may be the manufacturer. The guarantor may also be an insurance company with an A.M. Best rating of at least a B+, or with at least the equivalent of an A.M. Best B+ rating from another major rating company. You must obtain or have on file financial documentation demonstrating that the guarantor has the resources to meet the guarantee.
129		.6 – Are you required to retain salvage powers over the leased property?	X			§ 714.6 Are you required to retain salvage powers over the leased property? You must retain salvage powers over the leased property. Salvage powers protect you from a loss and provide you with the power to take action if there is an unanticipated change in conditions that threatens your financial position by significantly increasing your exposure to risk. Salvage powers allow you: (a) As the owner and lessor, to take reasonable and appropriate action to salvage or protect the value of the property or your interests arising under the lease; or (b) As the assignee of a lease, to become the owner and lessor of the leased property pursuant to your contractual rights, or take any reasonable and appropriate action to salvage or protect the value of the property or your interests arising under the lease.
130		.7 – What are the insurance requirements applicable to leasing?	X			§ 714.7 What are the insurance requirements applicable to leasing? (a) You must maintain a contingent liability insurance policy with an endorsement for leasing or be named as the co-insured if you do not own the leased property. Contingent liability insurance protects you should you be sued as the owner of the leased property. You must use an insurance company with a nationally recognized industry rating of at least a B+. (b) Your member must carry the normal liability and property insurance on the leased property. You must be named as an additional insured on the liability insurance policy and as the loss payee on the property insurance policy.
131		.8 – Are the early payment provisions, or interest rate provisions, applicable in leasing arrangements?	X			§ 714.8 Are the early payment provisions, or interest rate provisions, applicable in leasing arrangements? You are not subject to the early payment provisions set forth in § 701.21(c)(6) of this chapter. You are also not subject to the interest rate provisions in §701.21(c)(7).
132		.9 – Are indirect leasing arrangements subject to the purchase of eligible obligation limit?	X			§ 714.9 Are indirect leasing arrangements subject to the purchase of eligible obligation limit set forth in § 701.23 of this chapter? Your indirect leasing arrangements are not subject to the eligible obligation limit if they satisfy the provisions of § 701.23(b)(3)(iv) that require that you make the final underwriting decision and that the lease contract is assigned to you very soon after it is signed by the member and the dealer or leasing company.
133		.10 – What other laws must you comply with when engaged in leasing?	X			§ 714.10 What other laws must you comply with when engaged in leasing? You must comply with the Consumer Leasing Act, 15 U.S.C. 1667–67f, and its implementing regulation, Regulation M, 12 CFR part 213. You must comply with state laws on consumer leasing, but only to the extent that the state leasing laws are consistent with the Consumer Leasing Act, 15 U.S.C. 1667e, or provide the member with greater protections or benefits than the Consumer Leasing Act. You are also subject to the lending rules set forth in §701.21 of this chapter, except as provided in § 714.8 and § 714.9 of this part. The lending rules in § 701.21 address the preemption of other state and federal laws that impact on credit transactions.
134	§715 – Supervisory Committee Audits and Verifications	.1 – Scope of this part			This entire section deals with the roles and responsibilities of the Supervisory Committee which are required for share insurance and designed to ensure the safe and sound operation of an FCU.	§ 715.1 Scope of this part This part implements section 202(a)(6)(D) of the Federal Credit Union Act, 12 U.S.C. 1782(a)(6)(D), as added by section 201(a) of the Credit Union Membership Access Act, Pub. L. No. 105–219, 112 Stat. 918 (1998). This part prescribes the responsibilities of the Supervisory Committee to obtain an annual audit of the credit union according to its charter type and asset size, and to conduct a verification of members' accounts.

#	NCUA Regulation	Part	Insurance Regulatory Related	Non-Insurance and Consumer Regulatory Related	Description	Rule/Regulation
135		.2 – Definitions used in this part.	X			§ 715.2 Definitions used in this part. As used in this part: (a) Balance sheet audit refers to the examination of a credit union's assets, liabilities, and equity under generally accepted auditing standards (GAAS) by an independent public accountant for the purpose of opining on the fairness of the presentation on the balance sheet. Credit unions required to file call reports consistent with GAAP should ensure the audited balance sheet is likewise prepared on a GAAP basis. The opinion under this type of engagement would not address the fairness of the presentation of the credit union's income statement, statement of changes in equity (including comprehensive income), or statement of cash flows. (b) Compensated person refers to any accounting/ auditing professional, excluding a credit union employee, who is compensated for performing more than one supervisory committee audit and/ or verification of members' accounts per calendar year. (c) Financial statements refers to a presentation of financial data, including accompanying notes, derived from accounting records of the credit union, and intended to disclose a credit union's economic resources or obligations at a point in time, or the changes therein for a period of time, in conformity with GAAP, as defined herein, or regulatory accounting procedures. Each of the following is considered to be a financial statement: a balance sheet or statement of financial condition; statement of income or statement of operations; statement of undivided earnings; statement of cash flows; statement of changes in members' equity; statement of revenue and expenses; and statement of cash receipts and disbursements. (d) Financial statement audit (also known as an ''opinion audit'') refers to an audit of the financial statements of a credit union performed in accordance with GAAS by an independent person who is licensed by the appropriate State or jurisdiction. The objective of a financial statement audit is to express an opinion as to whether those financial statements of the credit union present fairly, in all material respects, the financial position and the results of its operations and its cash flows in conformity with GAAP, as defined herein, or regulatory accounting practices. (e) GAAP is an acronym for ''generally accepted accounting principles'' which refers to the conventions, rules, and procedures which define accepted accounting practice. GAAP includes both broad general guidelines and detailed practices and procedures, provides a standard by which to measure financial statement presentations, and encompasses not only accounting principles and practices but also the methods of applying them. (f) GAAS is an acronym for ''generally accepted auditing standards'' which refers to the standards approved and adopted by the American Institute of Certified Public Accountants which apply when an ''independent, licensed certified public accountant'' audits financial statements. Auditing standards differ from auditing procedures in that ''procedures'' address acts to be performed, whereas ''standards'' measure the quality of the performance of those acts and the objectives to be achieved by use of the procedures undertaken. In addition, auditing standards address the auditor's professional qualifications as well as the judgment exercised in performing the audit and in preparing the report of the audit. (g) Independent means the impartiality necessary for the dependability of the compensated auditor's findings. Independence requires the exercise of fairness toward credit union officials, members, creditors and others who may rely upon the report of a supervisory committee audit report. (h) Internal control refers to the process, established by the credit union's board of directors, officers and employees, designed to provide reasonable assurance of reliable financial reporting and safeguarding of assets against unauthorized acquisition, use, or disposition. A credit union's internal control structure consists of five components: control environment; risk assessment; control activities; information and communication; and monitoring. Reliable financial reporting refers to preparation of Call Reports (NCUA Forms 5300 and 5310) that meet management's financial reporting objectives. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition refers to prevention or timely detection of transactions involving such unauthorized access, use, or disposition of assets which could result in a loss that is material to the financial statements. (i) Reportable conditions refers to a matter coming to the attention of the independent, compensated auditor which, in his or her judgment, represents a significant deficiency in the design or operation of the internal control structure of the credit union, which could adversely affect its ability to record, process, summarize, and report financial data consistent with the representations of management in the financial statements. (j) Report on Examination of Internal Control over Call Reporting refers to an engagement in which an independent, licensed, certified public accountant or public accountant, consistent with attestation standards, examines and reports on management's written assertions concerning the effectiveness of its internal control over financial reporting in its most recently filed semi-annual or year-end Call Report, with a concentration in high risk areas. For credit unions, such high risk areas most often include: lending activity; investing activity; and cash handling and deposit-taking activity. (k) State-licensed person refers to a certified public accountant or public accountant who is licensed by the State or jurisdiction where the credit union is principally located to perform accounting or auditing services for that credit union. (l) Supervisory committee refers to a supervisory committee as defined in Section 111(b) of the Federal Credit Union Act, 12 U.S.C. 1761(b). For some federally insured state chartered credit unions, the ''audit committee'' designated by state statute or regulation is the equivalent of a supervisory committee. (m) Supervisory committee audit refers to an engagement under either § 715.5 or § 715.6 of this part. (n) Working papers refer to the principal record, in any form, of the work performed by the auditor and/or supervisory committee to support its findings and/or conclusions concerning significant matters. Examples include the written record of procedures applied, tests performed, information obtained, and pertinent conclusions reached in the engagement, proprietary audit programs, analyses, memoranda, letters of confirmation and representation, abstracts of credit union documents, reviewer's notes, if retained, and schedules or commentaries prepared or obtained in the course of the engagement.
136		.3 – General responsibilities of the Supervisory Committee	X		Defines the requirements of the SC to maintain share insurance.	§ 715.3 General responsibilities of the Supervisory Committee. (a) Basic. The supervisory committee is responsible for ensuring that the board of directors and management of the credit union – (1) Meet required financial reporting objectives and (2) Establish practices and procedures sufficient to safeguard members' assets. (b) Specific. To carry out the responsibilities set forth in paragraph (a) of this section, the supervisory committee must determine whether: (1) Internal controls are established and effectively maintained to achieve the credit union's financial reporting objectives which must be sufficient to satisfy the requirements of the supervisory committee audit, verification of members' accounts and its additional responsibilities; (2) The credit union's accounting records and financial reports are promptly prepared and accurately reflect operations and results; (3) The relevant plans, policies, and control procedures established by the board of directors are properly administered; and (4) Policies and control procedures are sufficient to safeguard against error, conflict of interest, self-dealing and fraud. (c) Mandates. In carrying out the responsibilities set forth in paragraphs (a) and (b) of this section, the Supervisory Committee must: (1) Ensure that the credit union adheres to the measurement and filing requirements for reports filed with the NCUA Board under § 741.6 of this chapter; (2) Perform or obtain a supervisory committee audit, as prescribed in § 715.4 of this part; (3) Verify or cause the verification of members' passbooks and accounts against the records of the credit union, as prescribed in § 715.8 of this part; (4) Act to avoid imposition of sanctions for failure to comply with the requirements of this part, as prescribed in §§ 715.11 and 715.12 of this part.
137		.4 – Audit responsibility of the Supervisory Committee.	X			§ 715.4 Audit responsibility of the Supervisory Committee. (a) Annual audit requirement. A federally-insured credit union is required to obtain an annual supervisory committee audit which occurs at least once every calendar year (period of performance) and must cover the period elapsed since the last audit period (period effectively covered). (b) Financial statement audit option. Any federally insured credit union, whether Federally- or State-chartered and regardless of asset size, may choose to fulfill its Supervisory Committee audit responsibility by obtaining an annual audit of its financial statements performed in accordance with GAAS by an independent person who is licensed to do so by the State or jurisdiction in which the credit union is principally located. (A ''financial statement audit'' is distinct from a ''supervisory committee audit,'' although a financial statement audit is included among the options for fulfilling the supervisory committee audit requirement. Compare §715.2(c) and (j).) (c) Other audit options. A federally insured credit union which does not choose to obtain a financial statement audit as permitted by subsection (b) must fulfill its supervisory audit responsibility under either of § 715.5 or § 715.6 of this part, whichever is applicable. See Table 1. For purposes of this part, a credit union's asset size is the amount of total assets reported in the year-end Call Report (NCUA form 5300) filed for the calendar year-end immediately preceding the period under audit.

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139		.6 – Audit of Federally-insured State-chartered credit unions.	X			§ 715.6 Audit of Federally-insured State-chartered credit unions. (a) Total assets of $500 million or greater. To fulfill its Supervisory Committee audit responsibility, a federally insured State-chartered credit union having total assets of $500 million or greater must obtain an annual audit of its financial statements performed in accordance with GAAS by an independent person who is licensed to do so by the State or jurisdiction in which the credit union is principally located. (b) Total assets of less than $500 million. To fulfill its Supervisory Committee audit responsibility, a federally insured State-chartered credit union having total assets of less than $500 million must obtain either an annual supervisory committee audit as prescribed under either § 715.6(a) or § 715.7, or an audit as prescribed by the State or jurisdiction in which the credit union is principally located, whichever audit is more stringent. (c) Other requirements. A federally-insured, state chartered credit union, regardless of which audit it is required to obtain under this section, must meet other applicable requirements of this part except §§715.5 and 715.12. Type of Charter Asset Size Minimum Audit Required to Fulfill Supervisory Audit Responsibility1 Part 715 section Federal charter $500 Million or more Financial statement audit per GAAS by independent, State-licensed person Less than $500 Million but greater § 715.5 than $10 Million Either financial statement audit or other supervisory committee audit options $10 Million or less Either of three supervisory committee audit options State charter $500 Million or more Financial statement audit per GAAS by independent, State-licensed person § 715.6 Less than $500 Million Either of three supervisory committee audit options unless audit prescribed by State law is more stringent 1The Supervisory Committee audit responsibility under Part 715 can always be fulfilled by obtaining a financial statement audit §715.4(b).
140		.7 – Supervisory Committee audit alternatives to a financial statement audit.	X			§ 715.7 Supervisory Committee audit alternatives to a financial statement audit. A credit union which is not required to obtain a financial statement audit may fulfill its supervisory committee responsibility by any one of the following engagements: (a) Balance sheet audit. A balance sheet audit, as defined in § 715.2(a), performed by a person who is licensed to do so by the State or jurisdiction in which the credit union is principally located; or (b) Report on Examination of Internal Control over Call Reporting. An engagement and report on management's written assertions concerning the effectiveness of internal control over financial reporting in the credit union's most recently filed semiannual or year-end call report (NCUA Form 5300), as defined in § 715.2(j), performed by a person who is licensed to do so by the State or jurisdiction in which the credit union is principally located, and in which management specifies the criteria on which it based its evaluation of internal control; or (c) Audit per Supervisory Committee Guide. An audit performed by the supervisory committee, its internal auditor, or any other qualified person (such as a certified public accountant, public accountant, league auditor, credit union auditor consultant, retired financial institutions examiner, etc.) in accordance with the procedures prescribed in NCUA's Supervisory Committee Guide. Qualified persons who are not State-licensed cannot provide assurance services under this subsection.
141		.8 – Requirements for verification of accounts and passbooks.	X			§ 715.8 Requirements for verification of accounts and passbooks. (a) Verification obligation. The Supervisory Committee shall, at least once every two years, cause the passbooks (including any book, statements of account, or other record approved by the NCUA Board) and accounts of the members to be verified against the records of the treasurer of the credit union. (b) Methods. Any of the following methods may be used to verify members' passbooks and accounts, as appropriate: (1) Controlled verification. A controlled verification of 100 percent of members' share and loan accounts; (2) Statistical method. A sampling method which provides for: (i) Random selection: (ii) A sample which is representative of the population from which it was selected; (iii) An equal chance of selecting each dollar in the population; (iv) Sufficient accounts in both number and scope on which to base conclusions concerning management's financial reporting objectives; and (v) Additional procedures to be performed if evidence provided by confirmations alone is not sufficient. (3) Non-statistical method. When the verification is performed by an Independent person licensed by the State or jurisdiction in which the credit union is principally located, the auditor may choose among the sampling methods set forth in paragraphs (b)(1) and (2) of this section and non-statistical sampling methods consistent with GAAS if such methods provide for: (i) Sufficient accounts in both number and scope on which to base conclusions concerning management's financial reporting objectives to provide assurance that the General Ledger accounts are fairly stated in relation to the financial statements taken as a whole; (ii) Additional procedures to be performed by the auditor if evidence provided by confirmations alone is not sufficient; and (iii) Documentation of the sampling procedures used and of their consistency with GAAS (to be provided to the NCUA Board upon request). (c) Retention of records. The supervisory committee must retain the records of each verification of members' passbooks and accounts until it completes the next verification of members' passbooks and accounts.
142		.9 – Assistance from outside, compensated person.	X			§ 715.9 Assistance from outside, compensated person. (a) Unrelated to officials. A compensated auditor who performs a Supervisory Committee audit on behalf of a credit union shall not be related by blood or marriage to any management employee, member of either the board of directors, the Supervisory Committee or the credit committee, or loan officer of that credit union. (b) Engagement letter. The engagement of a compensated auditor to perform all or a portion of the scope of a financial statement audit or supervisory committee audit shall be evidenced by an engagement letter. In all cases, the engagement must be contracted directly with the Supervisory Committee. The engagement letter must be signed by the compensated auditor and acknowledged therein by the Supervisory Committee prior to commencement of the engagement. (c) Contents of letter. The engagement letter shall: (1) Specify the terms, conditions, and objectives of the engagement; (2) Identify the basis of accounting to be used; (3) If a Supervisory Committee Guide audit, include an appendix setting forth the procedures to be performed; (4) Specify the rate of, or total, compensation to be paid for the audit; (5) Provide that the auditor shall, upon completion of the engagement, deliver to the Supervisory Committee a written report of the audit and notice in writing, either within the report or communicated separately, of any internal control reportable conditions and/or irregularities or illegal acts, if any, which come to the auditor's attention during the normal course of the audit (i.e., no notice required if none noted); (6) Specify a target date of delivery of the written reports, such target date not to exceed 120 days from date of calendar or fiscal yearend under audit (period covered), unless the supervisory committee obtains a waiver from the supervising NCUA Regional Director; (7) Certify that NCUA staff and/or the State credit union supervisor, or designated representatives of each, will be provided unconditional access to the complete set of original working papers, either at the offices of the credit union or at a mutually agreed upon location, for purposes of inspection; and (8) Acknowledge that working papers shall be retained for a minimum of three years from the date of the written audit report. (d) Complete scope. If the engagement is to perform a Supervisory Committee Guide audit intended to fully meet the requirements of §715.7(c), the engagement letter shall certify that the audit will address the complete scope of that engagement; (e) Exclusions from scope. If the engagement is to perform a Supervisory Committee Guide audit which will exclude any item required by the applicable section, the engagement letter shall: (1) Identify the excluded items; (2) State that, because of the exclusion(s), the resulting audit will not, by itself, fulfill the scope of a supervisory committee audit; and (3) Caution that the supervisory committee will remain responsible for fulfilling the scope of a supervisory committee audit with respect to the excluded items.
143		.10 – Audit report and working paper maintenance and access.	X			§ 715.10 Audit report and working paper maintenance and access. (a) Audit report. Upon completion and/or receipt of the written report of a financial statement audit or a supervisory committee audit, the Supervisory Committee must verify that the audit was performed and reported in accordance with the terms of the engagement letter prescribed herein. The Supervisory Committee must submit the report(s) to the board of directors, and provide a summary of the results of the audit to the members of the credit union orally or in writing at the next annual meeting of the credit union. If a member so requests, the Supervisory Committee shall provide the member access to the full audit report. If the National Credit Union Administration (''NCUA'') so requests, the Supervisory Committee shall provide NCUA a copy of each of the audit reports it receives or produces. (b) Working papers. The supervisory committee shall be responsible for preparing and maintaining, or making available, a complete set of original working papers supporting each supervisory committee audit. The supervisory committee shall, upon request, provide NCUA staff unconditional access to such working papers, either at the offices of the credit union or at a mutually agreeable location, for purposes of inspecting such

#	NCUA Regulation	Part	Insurance Regulatory Related	Non-Insurance and Consumer Regulatory Related	Description	Rule/Regulation
						working papers.
144		.11 – Sanctions for failure to comply with this part.	X		Addresses the remedies when any FISCU does not comply, and discusses SSA input.	§ 715.11 Sanctions for failure to comply with this part. (a) Sanctions. Failure of a supervisory committee and/ or its independent compensated auditor or other person to comply with the requirements of this section, or the terms of an engagement letter required by this section, is grounds for: (1) The regional director to reject the supervisory committee audit and provide a reasonable opportunity to correct deficiencies; (2) The regional director to impose the remedies available in § 715.12, provided any of the conditions specified therein is present; and (3) The NCUA Board to seek formal administrative sanctions against the supervisory committee and/or its independent, compensated auditor pursuant to section 206(r) of the Federal Credit Union Act, 12 U.S.C. 1786(r). (b) State Charters. In the case of a federally-insured state chartered credit union, NCUA shall provide the state regulator an opportunity to timely impose a remedy satisfactory to NCUA before exercising its authority under § 741.202 of this chapter to impose a sanction permitted under paragraph (a) of this section.
145		.12 – Statutory audit remedies for Federal credit unions.	X		Addresses the remedies when any FISCU does not comply, and discusses SSA input.	§ 715.12 Statutory audit remedies for Federal credit unions. (a) Audit by alternative licensed person. The NCUA Board may compel a federal credit union to obtain a supervisory committee audit which meets the minimum requirements of § 715.5 or §715.7, and which is performed by an independent person who is licensed by the State or jurisdiction in which the credit union is principally located, for any fiscal year in which any of the following three conditions is present: (1) The Supervisory Committee has not obtained an annual financial statement audit or performed a supervisory committee audit; or (2) The Supervisory Committee has obtained a financial statement audit or performed a supervisory committee audit which does not meet the requirements of part 715 including those in § 715.8. (3) The credit union has experienced serious and persistent recordkeeping deficiencies as defined in paragraph (c) of this section. (b) Financial statement audit required. The NCUA Board may compel a federal credit union to obtain a financial statement audit performed in accordance with GAAS by an independent person who is licensed by the State or jurisdiction in which the credit union is principally located (even if such audit is not required by § 715.5), for any fiscal year in which the credit union has experienced serious and persistent recordkeeping deficiencies as defined in paragraph (c) of this section. The objective of a financial statement audit performed under this paragraph is to reconstruct the records of the credit union sufficient to allow an unqualified or, if necessary, a qualified opinion on the credit union's financial statements. An adverse opinion or disclaimer of opinion should be the exception rather than the norm. (c) ''Serious and persistent recordkeeping deficiencies.'' recordkeeping deficiency is ''serious'' if the NCUA Board reasonably believes that the board of directors and management of the credit union have not timely met financial reporting objectives and established practices and procedures sufficient to safeguard members' assets. A serious recordkeeping deficiency is ''persistent'' when it continues beyond a usual, expected or reasonable period of time.
146	§716 – Privacy of Consumer Financial Information	1. Purpose and scope.			This entire section of NCUA's regulations deals with an FCU's communication with its members and the safeguarding of member information.	§ 716.1 Purpose and scope. (a) Purpose. This part governs the treatment of nonpublic personal information about consumers by the credit unions listed in paragraph (b) of this section. This part: (1) Requires a credit union to provide notice to members about its privacy policies and practices; (2) Describes the conditions under which a credit union may disclose nonpublic personal information about consumers to nonaffiliated third parties; and (3) Provides a method for consumers to prevent a credit union from disclosing that information to most nonaffiliated third parties by ''opting out'' of that disclosure, subject to the exceptions in §§ 716.13, 716.14, and 716.15. (b) Scope. (1) This part applies only to nonpublic personal information about individuals who obtain financial products or services for personal, family or household purposes. This part does not apply to information about companies or about individuals who obtain financial products or services for business, commercial or agricultural purposes. This part applies to federally-insured credit unions. This part refers to a federally-insured credit union as ''you'' or ''the credit union.'' (2) Nothing in this part modifies, limits, or supersedes the standards governing individually identifiable financial information promulgated by the Secretary of Health and Human Services under the authority of §§ 262 and 264 of the Health Insurance Portability and Accountability Act of 1996 (42 U.S.C. 1320d–1320d–8).
147		.2 Model privacy form and examples.				§ 716.2 Model privacy form and examples. (a) Model privacy form. Use of the model privacy form in Appendix A of this part, consistent with the instructions in Appendix A, constitutes compliance with the notice content requirements of §§ 716.6 and 716.7 of this part, although use of the model privacy form is not required. (b) Examples. The examples in this part are not exclusive. Compliance with an example, to the extent applicable, constitutes compliance with this part.
148		.3 Definitions				§ 716.3 Definitions. As used in this part, unless the context requires otherwise: (a)(1) Affiliate means any company that controls, is controlled by, or is under common control with another company. (2) Examples. (i) An affiliate of a federal credit union is a credit union service organization (CUSO), as provided in 12 CFR part 712, that is controlled by the federal credit union. (ii) An affiliate of a federally-insured, state-chartered credit union is a company that is controlled by the credit union. (b)(1) Clear and conspicuous means that a notice is reasonably understandable and designed to call attention to the nature and significance of the information in the notice. (2) Examples. (i) Reasonably understandable. You make your notice reasonably understandable if you: (A) Present the information contained in the notice in clear, concise sentences, paragraphs and sections; (B) Use short, explanatory sentences or bullet lists whenever possible; (C) Use definite, concrete, everyday words and active voice whenever possible; (D) Avoid multiple negatives; (E) Avoid legal and highly technical business terminology wherever possible; and (F) Avoid explanations that are imprecise and readily subject to different interpretations. (ii) Designed to call attention. You design your notice to call attention to the nature and significance of the information in it if you: (A) Use a plain-language heading to call attention to the notice; (B) Use a typeface and type size that are easy to read; (C) Provide wide margins and ample line spacing; (D) Use boldface or italics for key words; and (E) In a form that combines your notice with other information, use distinctive type size, style, and graphic devices, such as shading or sidebars. (iii) Notices on websites. If you provide notices on a web page, you design your notice to call attention to the nature and significance of the information in it if you use text or visual cues to encourage scrolling down the page if necessary to view the entire notice and ensure that other elements on the website (such as text graphics, hyperlinks or sound) do not distract attention from the notice, and you either: (A) Place the notice on a screen frequently accessed by consumers, such as a home page or a page on which transactions are conducted; or (B) Place a link on a screen frequently accessed by consumers, such as a home page or a page on which transactions are conducted, that connects directly to the notice and is labeled appropriately to convey the importance, nature and relevance of the notice. (c) Collect means to obtain information that you organize or can retrieve by the name of an individual or by identifying number, symbol, or other identifying particular assigned to the individual, irrespective of the source of the underlying information. (d) Company means any corporation, limited liability company, business trust, general or limited partnership, association or similar organization. (e)(1) Consumer means an individual who obtains or has obtained a financial product or service from you, that is to be used primarily for personal, family or household purposes, or that individual's legal representative. (2) Examples. (i) An individual who provides nonpublic personal information to you in connection with obtaining or seeking to obtain credit union membership is your consumer regardless of whether you establish a member relationship. (ii) An individual who provides nonpublic personal information to you in connection with using your ATM is your consumer. (iii) If you hold ownership or servicing rights to an individual's loan, the individual is your consumer, even if you hold those rights in conjunction with one or more financial institutions. The individual is also a consumer with respect to the other financial institutions involved. This applies, even if you, or another financial institution with those rights, hire an agent to collect on the loan or to provide processing or other services. (iv) An individual who is a consumer of another financial institution is not your consumer solely because you act as agent for, or provide processing or other services to, that financial institution. (v) An individual is not your consumer solely because he or she is a participant or a beneficiary of an employee benefit plan that you sponsor or for which you act as a trustee or fiduciary. (f) Consumer reporting agency has the same meaning as in section 603(f) of the Fair Credit Reporting Act (15 U.S.C. 1681a(f)). (g) Control of a company means: (1) Ownership, control, or power to vote 25 percent or more of the outstanding shares of any class of voting security of the company, directly or indirectly, or acting through one or more other persons; (2) Control in

#	NCUA Regulation	Part	Insurance Regulatory Related	Non-Insurance and Consumer Regulatory Related	Description	Rule/Regulation
						any manner over the election of a majority of the directors, trustees or general partners (or individuals exercising similar functions) of the company; or (3) The power to exercise, directly or indirectly, a controlling influence over the management or policies of the company, as the NCUA determines. With respect to state-chartered credit unions, NCUA will consult with the appropriate state regulator prior to making its determination. (4) Example. NCUA will presume a credit union has a controlling influence over the management or policies of a CUSO, if the CUSO is 67% owned by credit unions. (h) Credit union means a federal or state-chartered credit union that the National Credit Union Share Insurance Fund insures. (i) Customer means a consumer who has a customer relationship with a financial institution other than a credit union. (j) Customer relationship means a continuing relationship between a consumer and a financial institution other than a credit union. (k) Federal functional regulator means—(1) The National Credit Union Administration Board; (2) The Board of Governors of the Federal Reserve System; (3) The Office of the Comptroller of the Currency; (4) The Board of Directors of the Federal Deposit Insurance Corporation; (5) The Director of the Office of Thrift Supervision; and (6) The Securities and Exchange Commission. (l)(1) Financial institution means any institution the business of which is engaging in activities that are financial in nature or incidental to such financial activity as described in section 4(k) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(k)). (2) Examples of financial institutions may include, but are not limited to: credit unions; banks; insurance companies; securities brokers, dealers, and underwriters; loan brokers and servicers; tax planners and preparation services; personal property appraisers; real estate appraisers; career counselors for employees in financial occupations; digital signature services; courier services; real estate settlement services; manufacturers of computer software and hardware; and travel agencies operated in connection with financial services. (3) Financial institution does not include: (i) Any person or entity with respect to any financial activity that is subject to the jurisdiction of the Commodity Futures Trading Commission under the Commodity Exchange Act (7 U.S.C. 1 et seq.); (ii) The Federal Agricultural Mortgage Corporation or any entity chartered and operating under the Farm Credit Act of 1971 (12 U.S.C. 2001 et seq.); or (iii) Institutions chartered by Congress specifically to engage in securitizations, secondary market sales (including sales of servicing rights) or similar transactions related to a transaction of a consumer, as long as such institutions do not sell or transfer nonpublic personal information to a nonaffiliated third party. (m)(1) Financial product or service means any product or service that a financial holding company could offer by engaging in an activity that is financial in nature or incidental to such a financial activity under section 4(k) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(k)). (2) Financial service includes your evaluation or brokerage of information that you collect in connection with a request or an application from a consumer for a financial product or service. (n) Member means a consumer who has a member relationship with you. For purposes of this part only, it will include certain nonmembers. (o)(1) Member relationship means a continuing relationship between a consumer and you under which you provide one or more financial products or services to the consumer that are to be used primarily for personal, family or household purposes. As noted in the examples, this will include certain consumers that are not your members. (2) Examples. (i) A consumer has a continuing relationship with you if the consumer: (A) Is your member as defined in your bylaws; (B) Is a nonmember who has a share, share draft, or credit card account with you jointly with a member; (C) Is a nonmember who has a loan that you service; (D) Is a nonmember who has an account with you and you are a credit union that has been designated as a low income credit union; or (E) Is a nonmember who has an account in a federally insured, state-chartered credit union pursuant to state law. (ii) A consumer does not, however, have a member relationship with you if the consumer is a nonmember and: (A) The consumer only obtains a financial product or service in isolated transactions, such as using your ATM to withdraw cash from an account maintained at another financial institution or purchasing travelers checks; or (B) You sell the consumer's loan and do not retain the rights to service that loan. (p)(1) Nonaffiliated third party means any person except: (i) Your affiliate; or (ii) A person employed jointly by you and any company that is not your affiliate (but nonaffiliated third party includes the other company that jointly employs the person). (q)(1) Nonpublic personal information means: (i) Personally identifiable financial information; and (ii) Any list, description or other grouping of consumers (and publicly available information pertaining to them) that is derived using any personally identifiable financial information. (2) Nonpublic personal information does not include: (i) Publicly available information, except as included on a list described in paragraph (q)(1)(ii) of this section; or (ii) Any list, description, or other grouping of consumers (and publicly available information pertaining to them) that is derived without using any personally identifiable financial information, other than publicly available information. (3) Examples of lists. (i) Nonpublic personal information includes any list of individuals' names and street addresses that is derived in whole or in part using personally identifiable financial information, other than publicly available information, such as account numbers. (ii) Nonpublic personal information does not include any list of individuals' names and addresses that contains only publicly available information, is not derived using personally identifiable financial information, other than publicly available information, either in whole or in part, and is not disclosed in a manner that indicates that any of the individuals on the list is a consumer of a credit union, other than publicly available information. (r)(1) Personally identifiable financial information means any information: (i) A consumer provides to you to obtain a financial product or service from you; (ii) About a consumer resulting from any transaction involving a financial product or service between you and a consumer; or (iii) You otherwise obtain about a consumer in connection with providing a financial product or service to that consumer. (2) Personally identifiable financial information does not include publicly available information. (3) Examples. (i) Information included. Personally identifiable financial information includes: (A) Information a consumer provides to you on an application to obtain membership, a loan, credit card or other financial product or service; (B) Account balance information, payment history, overdraft history, and credit or debit card purchase information; (C) The fact that an individual is or has been one of your members or has obtained a financial product or service from you; (D) Any information about your consumer if it is disclosed in a manner that indicates that the individual is or has been your consumer; (E) Any information that a consumer provides to you or that you or your agent otherwise obtain in connection with collecting on a loan or servicing a loan; (F) Any information you collect through an Internet ''cookie'' (an information collecting device from a web server); and (G) Information from a consumer report. (ii) Information not included. Personally identifiable financial information does not include: (A) A list of names and addresses of customers of an entity that is not a financial institution; and (B) Information that does not identify a consumer, such as aggregate information or blind data that does not contain personal identifiers such as account numbers, names, or addresses. (s)(1) Publicly available information means any information that you have a reasonable basis to believe is lawfully made available to the general public from: (i) Federal, state or local government records; (ii) Widely distributed media; or (iii) Disclosures to the general public that are required to be made by federal, state or local law. (2) Reasonable basis. You have a reasonable basis to believe that information is lawfully made available to the general public if you have taken steps to determine: (i) That the information is of the type that is available to the general public; and (ii) Whether an individual can direct that the information not be made available to the general public and, if so, that your member or consumer has not done so. (3) Examples. (i) Government records. Publicly available information in government records includes information in government real estate records and security interest filings. (ii) Widely distributed media. Publicly available information from widely distributed media includes information from a telephone book, a television or radio program, a newspaper or a web site that is available to the general public on an unrestricted basis. A web site is not restricted merely because an Internet service provider or site operator requires a fee or a password, so long as access is available to the general public.(iii) Reasonable basis. (1) You have a reasonable basis to believe that mortgage information is lawfully made available to the general public if you have determined that the information is of the type included on the public record in the jurisdiction where the mortgage would be recorded. (2) You have a reasonable basis to believe that an individual's telephone number is lawfully made available to the general public if you have located the telephone number in the telephone book or have been informed by the consumer that the telephone number is not unlisted. (t) You means a federally-insured credit union.
149	**Subpart A –**	**.4 – Initial**		X		§ 716.4 Initial privacy notice to consumers required. (a) Initial notice requirement. You must provide a clear and conspicuous notice that accurately reflects your privacy policies and

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	Privacy and Opt Out Notices	**privacy notice to consumers required.**				practices to a: (1) Member, not later than when you establish a member relationship, except as provided in paragraph (e) of this section; and (2) Consumer, before you disclose any non-public personal information about the consumer to any nonaffiliated third party, if you make such a disclosure other than as authorized by §§ 716.14 and 716.15. (b) When initial notice to a consumer is not required. You are not required to provide an initial notice to a consumer under paragraph (a) of this section if: (1) You do not disclose any nonpublic personal information about the consumer to any nonaffiliated third party, other than as authorized by §§ 716.14 and 716.15; and (2) You do not have a member relationship with the consumer. (c) When you establish a member relationship—(1) General rule. You establish a member relationship when you and the consumer enter into a continuing relationship. (2) Special rule for loans. You establish a member relationship with a consumer when you originate, or acquire the servicing rights to a loan to the consumer for personal, household or family purposes and that is the only basis for the member relationship. If you subsequently transfer the servicing rights to that loan to another financial institution, the member relationship transfers with the servicing rights. (3)(i) Examples of establishing member relationship. You establish a member relationship when the consumer: (A) Becomes your member under your bylaws; (B) Is a nonmember and opens a credit card account with you jointly with a member under your procedures; (C) Is a nonmember and executes the contract to open a share or share draft account with you or obtains credit from you jointly with a member, including an individual acting as a guarantor; (D) Is a nonmember and opens an account with you and you are a credit union designated as a low-income credit union; (E) Is a nonmember and opens an account with you pursuant to state law and you are a state-chartered credit union. (ii) Examples of loan rule. You establish a member relationship with a consumer who obtains a loan for personal, family, or household purposes when you: (A) Originate the loan to the consumer and retain the servicing rights; or (B) Purchase the servicing rights to the consumer's loan. (d) Existing members. When an existing member obtains a new financial product or service that is to be used primarily for personal, family, or household purposes, you satisfy the initial notice requirements of paragraph (a) of this section as follows: (1) You may provide a revised policy notice, under § 716.8, that covers the member's new financial product or service; or (2) If the initial, revised, or annual notice that you most recently provided to that member was accurate with respect to the new financial product or service, you do not need to provide a new privacy notice under paragraph (a) of this section. (e) Exceptions to allow subsequent delivery of notice. (1) You may provide the initial notice required by paragraph (a)(1) of this section within a reasonable time after you establish a member relationship if: (i) Establishing the member relationship is not at the member's election; (ii) Providing notice not later than when you establish a member relationship would substantially delay the member's transaction and the member agrees to receive the notice at a later time. (2) Examples of exceptions. (i) Not at member's election. Establishing a member relationship is not at the member's election if you acquire a member's deposit liability from another financial institution and the member does not have a choice about your acquisition. (ii) Substantial delay of member's transaction. Providing notice not later than when you establish a member relationship would substantially delay the member's transaction when: (A) You and the individual agree over the telephone to enter into a member relationship involving prompt delivery of the financial product or service; or (B) You establish a member relationship with an individual under a program authorized by Title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.) or similar student loan programs where loan proceeds are disbursed promptly without prior communication between you and the member. (iii) No substantial delay of member's transaction. Providing notice not later than when you establish a member relationship would not substantially delay the member's transaction when the relationship is initiated in person at your office or through other means by which the member may view the notice, such as on a web site. (f)(1) Joint relationships. If two or more consumers jointly obtain a financial product or service, other than a loan, from you, you may satisfy the requirements of paragraph (a) of this section by providing one initial notice to those consumers jointly. (2) Special rule for loans. (i) You are required to provide an initial notice to a borrower or guarantor on a loan if you share his or her nonpublic personal information with nonaffiliated third parties other than for purposes under §§ 716.13, 716.14 and 716.15. (ii) You may satisfy the annual notice requirements of § 716.6 by providing one notice to those borrowers and guarantors jointly. (g) Delivery. When you are required to deliver an initial privacy notice by this section, you must deliver it according to the methods in § 716.9. If you use a short form initial notice for nonmember consumers according to § 716.6(c), you may deliver your privacy notice according to § 716.6(c)(3).
150		.5 Annual privacy notices to members required.		X		§ 716.5 Annual privacy notice to members required. (a)(1) General rule. You must provide a clear and conspicuous notice to members that accurately reflects your privacy policies and practices not less than annually during the continuation of the member relationship. Annually means at least once in any period of 12 consecutive months during which that relationship exists. You may define the 12-consecutive-month period, but you must apply it to the member on a consistent basis. (2) Example. You provide a notice annually if you define the 12-consecutive-month period as a calendar year and provide the annual notice to the member once in each calendar year following the calendar year in which you provide the initial notice. For example, if a member opens an account on any day of year one, you must provide an annual notice to that member by December 31 of year two. (b) (1) Termination of member relationship. You are not required to provide an annual notice to a former member. (2) Examples. Your member becomes your former member when: (i) An individual is no longer your member as defined in your bylaws; (ii) In the case of a nonmember's share or share draft account, the account is inactive under the credit union's policies; (iii) In the case of a nonmember's closed-end loan, the loan is paid in full, you charge off the loan, or you sell the loan without retaining servicing rights; (iv) In the case of a credit card relationship or other open-end credit relationship with a nonmember, you no longer provide any statements or notices to the non-member concerning that relationship or you sell the credit card receivables without retaining servicing rights; or (v) You have not communicated with the non-member about the relationship for a period of twelve consecutive months, other than to provide annual privacy notices or promotional material. (c) Delivery. When you are required to deliver an annual privacy notice by this section, you must deliver it according to the methods in § 716.9.
151		.6 Information to be included in privacy notices.		X		§ 716.6 Information to be included in privacy notices. (a) General rule. The initial and annual privacy notices under §§ 716.4 and 716.5 must include each of the following items of information that applies to you or to the consumers to whom you send your privacy notice, in addition to any other information you wish to provide: (1) The categories of nonpublic personal information that you collect; (2) The categories of nonpublic personal information that you disclose; (3) The categories of affiliates and non-affiliated third parties to whom you disclose nonpublic personal information, other than those parties to whom you disclose information under §§ 716.14 and 716.15; (4) The categories of nonpublic personal information about your former members that you disclose and the categories of affiliates and nonaffiliated third parties to whom you disclose it, other than those parties to whom you disclose information under §§ 716.14 and 716.15; (5) If you disclose nonpublic personal information to a nonaffiliated third party under § 716.13 (and no other exception applies to that disclosure), a separate statement of the categories of information you disclose and the categories of third parties with whom you have contracted; (6) An explanation of the consumer's right under § 716.10(a) to opt out of the disclosure of nonpublic personal information to nonaffiliated third parties, including the methods by which the consumer may exercise that right at that time; (7) Any disclosures that you make under section 603(d) (2)(A)(iii) of the Fair Credit Reporting Act (15 U.S.C. 1681a(d)(2)(A)(iii)) (that is, notices regarding the ability to opt out of disclosure of information among affiliates); (8) Your policies and practices with respect to protecting the confidentiality and security of nonpublic personal information; and (9) Any disclosures you make under paragraph (b) of this section. (b) Description of nonaffiliated third parties subject to exceptions. If you disclose nonpublic personal information to third parties as authorized under §§ 716.14 and 716.15, you are not required to list those exceptions in the initial or annual privacy notices required by §§ 716.4 and 716.5. When describing the categories with respect to those parties, it is sufficient to state that you make disclosures to other nonaffiliated companies: (1) For your everyday business purposes, such as [include all that apply] to process transactions, maintain account(s), respond to court orders and legal investigations, or report to credit bureaus; or (2) As permitted by law. (c) Short-form initial notice with opt out notice for nonmember consumers. (1) You may satisfy the initial notice requirements in §§ 716.4(a)(2), 716.7(b), and 716.7(c) for a consumer who is not a member by providing a short-form initial notice at the same time as you

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						deliver an opt out notice as required in § 716.7. (2) A short-form initial notice must: (i) Be clear and conspicuous; (ii) State that your privacy notice is available upon request; and (iii) Explain a reasonable means by which the consumer may obtain that notice. (3) You must deliver your short-form initial notice according to § 716.9. You are not required to deliver your privacy notice with your short form initial notice. You instead may simply provide the consumer a reasonable means to obtain your privacy notice. If a consumer who receives your short-form notice requests your privacy notice, you must deliver your privacy notice according to § 716.9. (4) Examples of obtaining privacy notice. You provide a reasonable means by which a consumer may obtain a copy of your privacy notice if you: (i) Provide a toll-free telephone number that the consumer may call to request the notice; or (ii) For a consumer who conducts business in person at your office, maintain copies of the notice on hand that you provide to a consumer immediately upon request. (d) Future disclosures. Your notice may include: (1) Categories of nonpublic personal information that you reserve the right to disclose in the future, but do not currently disclose; and (2) Categories of affiliates or nonaffiliated third parties to whom you reserve the right in the future to disclose, but to whom you do not currently disclose, nonpublic personal information. (e) Examples—(1) Categories of nonpublic personal information that you collect. You satisfy the requirement to categorize the nonpublic personal information that you collect if you list the following categories, as applicable: (i) Information from the consumer; (ii) Information about the consumer's transactions with you or your affiliates; (iii) Information about the consumer's transactions with nonaffiliated third parties; and (iv) Information from a consumer reporting agency. (2) Categories of nonpublic personal information you disclose. (i) You satisfy the requirement to categorize the nonpublic personal information that you disclose if you list the categories described in paragraph (e)(1) of this section, as applicable, and a few examples to illustrate the types of information in each category. (ii) If you reserve the right to disclose all of the nonpublic personal information about consumers that you collect, you may simply state that fact without describing the categories or examples of the nonpublic personal information you disclose. (3) Categories of affiliates and nonaffiliated third parties to whom you disclose. You satisfy the requirement to categorize the affiliates and nonaffiliated third parties to whom you disclose nonpublic personal information if you list the following categories, as applicable, and a few examples to illustrate the types of third parties in each category. (i) Financial service providers; (ii) Non-financial companies; and (iii) Others. (4) Disclosures under exception for service providers and joint marketers. If you disclose nonpublic personal information under the exception in § 716.13 to a nonaffiliated third party to market products or services that you offer alone or jointly with another financial institution, you satisfy the disclosure requirement of paragraph (a)(5) of this section if you: (i) List the categories of nonpublic personal information you disclose, using the same categories and examples you used to meet the requirements of paragraphs (a)(2) of this section, as applicable; and (ii) State whether the third party is: (A) A service provider that performs marketing services on your behalf or on behalf of you and another financial institution; or (B) A financial institution with whom you have a joint marketing agreement. (5) Simplified notices. If you do not disclose, and do not intend to disclose, nonpublic personal information about members or former members to affiliates or non-affiliated third parties except as authorized under §§ 716.14 and 716.15, you may simply state that fact, in addition to the information you must provide under paragraphs (a)(1), (a) (8), (a)(9) and (c) of this section. (6) Confidentiality and security. You describe your policies and practices with respect to protecting the confidentiality and security of nonpublic personal information if you do both of the following: (i) Describe in general terms who is authorized to have access to the information. (ii) State whether you have security practices and procedures in place to ensure the confidentiality of the information in accordance with your policy. You are not required to describe technical information about the safeguards you use. (7) Joint notice with affiliates. You may provide a joint notice from you and one or more of your affiliates or other financial institutions, as specified in the notice, as long as the notice is accurate with respect to you and the other institution. (f) Model privacy form. Pursuant to § 716.2(a) of this part, a model privacy form that meets the notice content requirements of this section is included in Appendix A of this part. (g) Sample clauses. Sample clauses illustrating some of the notice content required by this section are included in Appendix B of this part. Use of a sample clause in a privacy notice provided on or before December 31, 2010, to the extent applicable, constitutes compliance with this part.
152		.7 – Form of opt out notice to consumers and opt out methods.		X		§ 716.7 Form of opt out notice to consumers and opt out methods. (a)(1) Form of opt out notice. If you are required to provide an opt out notice under § 716.10(a)(1), you must provide a clear and conspicuous notice to each of your consumers that accurately explains the right to opt out under that section. The notice must state: (i) That you disclose or reserve the right to disclose nonpublic personal information about your consumer to a nonaffiliated third party; (ii) That the consumer has the right to opt out of that disclosure; and (iii) A reasonable means by which the consumer may exercise the opt out right. (2) Examples. (i) Adequate opt out notice. You provide adequate notice that the consumer can opt out of the disclosure of nonpublic personal information to a nonaffiliated third party if you: (A) Identify all of the categories of nonpublic personal information that you disclose or reserve the right to disclose and all of the categories of nonaffiliated third parties to whom you disclose the information, as described in § 716.6(a)(2) and (3) and state that the consumer can opt out of the disclosure of that information; and (B) Identify the financial products or services that the consumer obtains from you, either singly or jointly, to which the opt out direction would apply. (ii) Reasonable opt out means. You provide a reasonable means to exercise an opt out right if you: (A) Designate check-off boxes in a prominent position on the relevant forms with the opt out notice; (B) Include a reply form together with the opt out notice; (C) Provide an electronic means to opt out, such as a form that can be sent via electronic mail or a process at your web site, if the consumer agrees to the electronic delivery of information; or (D) Provide a toll-free telephone number that consumers may call to opt out. (iii) Unreasonable opt out means. You do not provide a reasonable means of opting out if: (A) The only means of opting out is for the consumer to write his or her own letter to exercise that opt out right; or (B) The only means of opting out as described in any notice subsequent to the initial notice is to use a check-off box that was provided with the initial notice but not included with the subsequent notice. (iv) Specific opt out means. You may require each consumer to opt out through a specific means, as long as that means is reasonable for that consumer. (b) Same form as initial notice permitted. You may provide the opt out notice together with or on the same written or electronic form as the initial notice you provide in accordance with § 716.4. (c) Initial notice required when opt out notice delivered subsequent to initial notice. If you provide the opt out notice later than required for the initial notice in accordance with § 716.4, you must also include a copy of the initial notice in writing or, if the consumer agrees, electronically. (d) Joint relationships. (1) If two or more consumers jointly obtain a financial product or service, other than a loan, from you, you may provide only a single opt out notice. Your opt out notice must explain how you will treat an opt out direction by a joint consumer as explained in the examples in paragraph (d)(5) of this section. (2) Any of the joint consumers may exercise the right to opt out. You may either: (i) Treat an opt out direction by a joint consumer to apply to all of the associated joint consumers; or (ii) Permit each joint consumer to opt out separately. (3) If you permit each joint consumer to opt out separately, you must permit one of the joint consumers to opt out on behalf of all of the joint consumers. (4) You may not require all joint consumers to opt out before you implement any opt out direction. (5) Example. If John and Mary have a joint share account with you and arrange for you to send statements to John's address, you may do any of the following, but you must explain in your opt out notice which opt out policy you will follow: (i) Send a single opt out notice to John's address, but you must accept an opt out direction from either John or Mary. (ii) Treat an opt out direction by either John or Mary as applying to the entire account. If you do so, and John opts out, you may not require Mary to opt out as well before implementing John's opt out direction. (iii) Permit John and Mary to make different opt out directions. If you do so, and if John and Mary both opt out, you must permit one or both of them to notify you in a single response (such as on a form or through a telephone call). (6) Special rule for loans. (i) You are required to provide an initial opt out notice to a borrower or guarantor on a loan if you share his or her nonpublic personal information with nonaffiliated third parties other than for purposes under §§ 716.13, 716.14 and 716.15. (ii) You may satisfy your annual opt out notice requirement by providing one notice to those borrowers and guarantors jointly. (e) Time to comply with opt out. You must comply with the consumer's opt out direction as soon as reasonably practicable after you receive it. (f) Continuing right to opt out. A consumer may exercise the right to opt out at

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						any time. (g) Duration of consumer's opt out direction. (1) A consumer's direction to opt out under this section is effective until the consumer revokes it in writing or, if the consumer agrees, electronically. (2) When a member relationship terminates, the member's opt out direction continues to apply to the nonpublic personal information that you collected during or related to the relationship. If the individual subsequently establishes a new member relationship with you, the opt out direction that applied to the former relationship does not apply to the new relationship. (h) Delivery. When you are required to deliver an opt out notice by this section, you must deliver it according to the methods in § 716.9. (i) Model privacy form. Pursuant to § 716.2(a) of this part, a model privacy form that meets the notice content requirements of this section is included in Appendix A of this part.
153		.8 – Revised privacy notices.		X		§ 716.8 Revised privacy notices. (a) General rule. Except as otherwise authorized in this part, you must not, directly or through any affiliate, disclose any nonpublic personal information about a consumer to a nonaffiliated third party other than as described in the initial notice that you provided to that consumer under § 716.4, unless: (1) You have provided to the consumer a revised notice that accurately describes your policies and practices; (2) You have provided to the consumer a new opt out notice; (3) You have given the consumer a reasonable opportunity, before you disclose the information to the nonaffiliated third party, to opt out of the disclosure; and (4) The consumer does not opt out. (b) Examples. (1) Except as otherwise permitted by §§ 716.13, 716.14 and 716.15, you must provide a revised notice if you— (i) Disclose a new category of nonpublic personal information to any nonaffiliated third party; (ii) Disclose nonpublic personal information to a new category of nonaffiliated third party; or (iii) Disclose nonpublic personal information about a former member to a non-affiliated third party, and that former member has not had the opportunity to exercise an opt out right regarding that disclosure. (2) A revised notice is not required if you disclose nonpublic personal information to a new non-affiliated third party that you adequately described in your prior notice. (c) Delivery. When you are required to deliver a revised privacy notice by this section, you must deliver it according to the methods in § 716.9.
154		.9 – Delivering privacy and opt out notices.		X		§ 716.9 Delivering privacy and opt out notices. (a) How to provide notices. You must provide any privacy notices and opt out notices, including short-form initial notices, that this part requires so that each consumer can reasonably be expected to receive actual notice in writing or, if the consumer agrees, electronically. (b) (1) Examples of reasonable expectation of actual notice. You may reasonably expect that a consumer will receive actual notice if you: (i) Hand-deliver a printed copy of the notice to the consumer; (ii) Mail a printed copy of the notice to the last known address of the consumer; (iii) For the consumer who conducts transactions electronically, post the notice on the electronic site and require the consumer to acknowledge receipt of the notice as a necessary step to obtaining a particular financial product or service; (iv) For an isolated transaction with the consumer, such as an ATM transaction, post the notice on the ATM screen and require the consumer to acknowledge receipt of the notice as a necessary step to obtaining the particular financial product or service. (2) Examples of unreasonable expectations of actual notice. You may not, however, reasonably expect that a consumer will receive actual notice if you: (i) Only post a sign in your branch or office or generally publish advertisements of your privacy policies and practices; (ii) Send the notice via electronic mail to a consumer who does not obtain a financial product or service from you electronically. (c) Annual notices only. You may reasonably expect that a member will receive actual notice of your annual privacy notice if: (1) The member uses your web site to access financial products and services electronically and agrees to receive notices at your web site and you post your current privacy notice continuously in a clear and conspicuous manner on your web site; or (2) The member has requested that you refrain from sending any information regarding the member relationship, and your current privacy notice remains available to the member upon request. (d) Oral description of notice insufficient. You may not provide any notice required by this part solely by orally explaining the notice, either in person or over the telephone. (e) Retention or accessibility of notices for members. (1) For members only, you must provide the initial notice required by § 716.4 (a)(1), the annual notice required by § 716.5(a) and the revised notice required by § 716.8 so that the member can retain them or obtain them later in writing or, if the member agrees, electronically. (2) Examples of retention or accessibility. You provide the privacy notice to the member so that the member can retain it or obtain it later if you: (i) Hand-deliver a printed copy of the notice to the member; (ii) Mail a printed copy of the notice to the last known address of the member upon request of the member; or (iii) Make your current privacy notice available on a web site (or a link to another web site) for the member who obtains a financial product or service electronically and agrees to receive the notice at the web site.
155	**Subpart B – Limits on Disclosures**	**.10 – Limits on disclosure of nonpublic information to third parties.**		X		§ 716.10 Limits on disclosure of non-public personal information to nonaffiliated third parties. (a) (1) Conditions for disclosure. Except as otherwise authorized in this part, you may not, directly or through any affiliate, disclose any nonpublic personal information about a consumer to a nonaffiliated third party unless: (i) You have provided to the consumer an initial notice as required under § 716.4; (ii) You have provided to the consumer an opt out notice as required in § 716.7; (iii) You have given the consumer a reasonable opportunity, before you disclose the information to the nonaffiliated third party, to opt out of the disclosure; and (iv) The consumer does not opt out. (2) Opt out definition. Opt out means a direction by the consumer that you not disclose nonpublic personal information about that consumer to a nonaffiliated third party, other than as permitted by §§ 716.13, 716.14 and 716.15. (3) Examples of reasonable opportunity to opt out. You provide a consumer with a reasonable opportunity to opt out if: (i) By mail. You mail the notices required in paragraph (a)(1) of this section to the consumer and allow the consumer to opt out by mailing a form, calling a toll-free telephone number, or any other reasonable means within 30 days from the date you mailed the notices. (ii) By electronic means. A member opens an on-line account with you and agrees to receive the notices required in paragraph (a)(1) of this section electronically, and you make the notices available to the member on your web site and allow the member to opt out by any reasonable means within 30 days after the date that the member acknowledges receipt of the notices. (iii) Isolated transaction with consumer. For an isolated transaction, such as the purchase of a traveler's check by a consumer, you provide the consumer with a reasonable opportunity to opt out if you provide the notices required in paragraph (a)(1) of this section at the time of the transaction and request that the consumer decide, as a necessary part of the transaction, whether to opt out before completing the transaction. (b) Application of opt out to all consumers and all nonpublic personal information. (1) You must comply with this section, regardless of whether you and the consumer have established a member relationship. (2) Unless you comply with this section, you may not, directly or through an affiliate, disclose any non-public personal information about a consumer that you have collected, regardless of whether you collected it before or after receiving the direction to opt out from the consumer. (c) Partial opt out. You may allow a consumer to select certain nonpublic personal information or certain nonaffiliated third parties with respect to which the consumer wishes to opt out.
156		.11 – Limits on re-disclosure and reuse of information.		X		§ 716.11 Limits on re-disclosure and reuse of information. (a)(1) Information you receive under an exception. If you receive nonpublic personal information from a nonaffiliated financial institution under an exception in § 716.14 or 716.15 of this part, your disclosure and use of that information is limited as follows: (i) You may disclose the information to the affiliates of the financial institution from which you received the information; and (ii) You may disclose the information to your affiliates, but your affiliates may, in turn, disclose and use the information only to the extent that you may disclose and use the information; and (iii) You may disclose and use the information pursuant to an exception in § 716.14 or 716.15 in the ordinary course of business to carry out the activity covered by the exception under which you received the information. (2) Example. If you receive a member list from a credit union in order to provide correspondent services under the exception in § 716.14(a), you may disclose that information under any exception in § 716.14 or 716.15 in order to provide those services. For example, you could disclose the information in response to a properly authorized subpoena or to your attorneys, accountants, and auditors. You could not disclose that information to a third party for marketing purposes or use that information for your own marketing purposes. (b)(1) Information you receive outside of an exception. If you receive nonpublic personal information from a nonaffiliated financial institution other than under an exception in § 716.14 or 716.15 of this part, you may disclose the information only: (i) To the affiliates of the financial institution from

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						which you received the information; (ii) To your affiliates, but your affiliates may, in turn, disclose the information only to the extent that you can disclose the information; (iii) To any other person, if the disclosure would be lawful if made directly to that person by the financial institution from which you received the information; and (iv) Pursuant to an exception in § 716.14 or 716.15. (2) Example. If you obtain a customer list from a nonaffiliated financial institution outside of the exceptions in §§ 716.14 and 716.15, (i) You may use the list for your own purposes; (ii) You may disclose that list to another non-affiliated third party only if the financial institution from which you purchased the list could have disclosed the list to that third party, that is you may disclose the list in accordance with the privacy policy of the financial institution from which you received the list, as limited by the opt out direction of each consumer whose nonpublic personal information you intend to disclose; and (iii) You may disclose that list as permitted by § 716.14 or 716.15, such as to your attorneys or accountants. (c) Information you disclose under an exception. If you disclose nonpublic personal information to a non- affiliated third party under an exception in § 716.14 or 716.15 of this part, the disclosure and use of that information by the third party is limited as follows: (1) The third party may disclose the information to your affiliates, (2) The third party may disclose the information to its affiliates, but its affiliates may, in turn, disclose and use the information only to the extent that the third party may disclose and use the information; and (3) The third party may disclose and use the information pursuant to an exception in § 716.14 or 716.15 in the ordinary course of business to carry out the activity covered by the exception under which it received the information. (d) Information you disclose outside of an exception. If you disclose nonpublic personal information to a nonaffiliated third party other than under an exception in § 716.14 or 716.15 of this part, the third party may disclose the information only: (1) To your affiliates; (2) To its affiliates, but its affiliates, in turn, may disclose the information only to the extent the third party can disclose the information; (3) To any other person, if the disclosure would be lawful if made directly to that person by you; and (4) Pursuant to an exception in § 716.14 or 716.15.
157		.12 – Limits on sharing of account number information for marketing purposes.		X		§ 716.12 Limits on sharing of account number information for marketing purposes. (a) General prohibition on disclosure of account numbers. You must not, directly or through an affiliate, disclose, other than to a consumer reporting agency, an account number or similar form of access number or access code for a consumer's credit card account, share account or transaction account to any nonaffiliated third party for use in telemarketing, direct mail marketing or other marketing through electronic mail to the consumer. (b) Exceptions. Paragraph (a) of this section does not apply if you disclose an account number or similar form of access number or access code: (1) To your agent or service provider solely in order to perform marketing for your own products or services, as long as the agent or service provider cannot directly initiate charges to the account; or (2) To a participant in a private label credit card program or an affinity or similar program where the participants in the program are identified to the member when the member enters into the program. (c) Examples. (1) Account number. An account number, or similar form of access number or access code, does not include a number or code in an encrypted form, as long as you do not provide the recipient with a means to decode the number or code. (2) Transaction account. A transaction account is an account other than a share or credit card account. A transaction account does not include an account to which a third party cannot initiate a charge.
158	**Subpart C – Exceptions**	**.13 -Exception to opt out requirements for service providers and joint marketing.**		X		§ 716.13 Exception to opt out requirements for service providers and joint marketing. (a) General rule. (1) The opt out requirements in §§ 716.7 and 716.10 do not apply when you provide nonpublic personal information to a nonaffiliated third party to perform services for you or functions on your behalf, if you: (i) Provide the initial notice in accordance with § 716.4; and (ii) Enter into a contractual agreement with the third party that prohibits the third party from disclosing or using the information other than to carry out the purposes for which you disclosed the information, including use under an exception in § 716.14 or 716.15 in the ordinary course of business to carry out those purposes. (2) Example. If you disclose nonpublic personal information under this section to a financial institution with which you perform joint marketing, your contractual agreement with that institution meets the requirements of paragraph (a)(1)(ii) of this section if it prohibits the institution from disclosing or using the non-public personal information except as necessary to carry out the joint marketing or under an exception in § 716.14 or 716.15 in the ordinary course of business to carry out that joint marketing. (b) Service may include joint marketing. The services that a nonaffiliated third party performs for you under paragraph (a) of this section may include marketing of your own products or services or marketing of financial products or services offered pursuant to joint agreements between you and one or more financial institutions. (c) Definition of joint agreement. For purposes of this section, joint agreement means a written contract pursuant to which you and one or more financial institutions jointly offer, endorse, or sponsor a financial product or service.
159		.14 -Exceptions to notice and opt out requirements for processing transactions.		X		§ 716.14 Exceptions to notice and opt out requirements for processing and servicing transactions. (a) Exceptions for processing transactions at consumer's request. The requirements for initial notice in § 716.4(a)(2), the opt out in §§ 716.7 and 716.10 and service providers and joint marketing in § 716.13 do not apply if you disclose nonpublic personal information as necessary to effect, administer, or enforce a transaction that a consumer requests or authorizes, or in connection with: (1) Servicing or processing a financial product or service that a consumer requests or authorizes; (2) Maintaining or servicing the consumer's account with you, or with another entity as part of a private label credit card program or other extension of credit on behalf of such entity; or (3) A proposed or actual securitization, secondary market sale (including sales of servicing rights) or similar transaction related to a transaction of the consumer. (b) Necessary to effect, administer, or enforce a transaction means that the disclosure is: (1) Required, or is one of the lawful or appropriate methods, to enforce your rights or the rights of other persons engaged in carrying out the financial transaction or providing the product or service; or (2) Required, or is a usual, appropriate or acceptable method: (i) To carry out the transaction or the product or service business of which the transaction is a part, and record, service or maintain the consumer's account in the ordinary course of providing the financial service or financial product; (ii) To administer or service benefits or claims relating to the transaction or the product or service business of which it is a part; (iii) To provide a confirmation, statement or other record of the transaction, or information on the status or value of the financial service or financial product to the consumer or the consumer's agent or broker; (iv) To accrue or recognize incentives or bonuses associated with the transaction that are provided by you or any other party; (v) In connection with: (A) The authorization, settlement, billing, processing, clearing, transferring, reconciling or collection of amounts charged, debited, or otherwise paid using a debit, credit or other payment card, check or account number, or by other payment means; (B) The transfer of receivables, accounts or interests therein; or (C) The audit of debit, credit or other payment information.
160		.15 – Other exceptions to notice and opt out requirements.		X		§ 716.15 Other exceptions to notice and opt out requirements. (a) Exceptions to opt out requirements. The requirements for initial notice to consumers in § 716.4(a)(2), the opt out in §§ 716.7 and 716.10 and service providers and joint marketing in § 716.13 do not apply when you disclose nonpublic personal information: (1) With the consent or at the direction of the consumer, provided that the consumer has not revoked the consent or direction; (2)(i) To protect the confidentiality or security of your records pertaining to the consumer, service, product or transaction; (ii) To protect against or prevent actual or potential fraud, unauthorized transactions, claims or other liability; (iii) For required institutional risk control or for resolving consumer disputes or inquiries; (iv) To persons holding a legal or beneficial interest relating to the consumer; or (v) To persons acting in a fiduciary or representative capacity on behalf of the consumer; (3) To provide information to insurance rate advisory organizations, guaranty funds or agencies, agencies that are rating you, persons that are assessing your compliance with industry standards, and your attorneys, accountants, and auditors; 4) To the extent specifically permitted or required under other provisions of law and in accordance with the Right to Financial Privacy Act of 1978 (12 U.S.C. 3401 et seq.), to law enforcement agencies (including a federal functional regulator, the Secretary of the Treasury, with respect to 31 U.S.C. Chapter 53, Subchapter II (Records and Reports on Monetary Instruments and Transactions) and 12 U.S.C. Chapter 21 (Financial Recordkeeping), a state insurance authority, with respect to any person domiciled in that insurance authority's state that is engaged in providing insurance, and the Federal Trade Commission), self-regulatory organizations, or for an investigation on a matter related to public

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						safety; (5)(i) To a consumer reporting agency in accordance with the Fair Credit Reporting Act (15 U.S.C. 1681 et seq.), or (ii) From a consumer report reported by a consumer reporting agency; (6) In connection with a proposed or actual sale, merger, transfer, or exchange of all or a portion of a business or operating unit if the disclosure of nonpublic personal information concerns solely consumers of such business or unit; or (7)(i) To comply with federal, state or local laws, rules and other applicable legal requirements; (ii) To comply with a properly authorized civil, criminal or regulatory investigation, or subpoena or summons by federal, state or local authorities; or (iii) To respond to judicial process or government regulatory authorities having jurisdiction over you for examination, compliance or other purposes as authorized by law. (b) Examples of consent and revocation of consent. (1) A consumer may specifically consent to your disclosure to a nonaffiliated insurance company of the fact that the consumer has applied to you for a mortgage so that the insurance company can offer homeowner's insurance to the consumer. (2) A consumer may revoke consent by subsequently exercising the right to opt out of future disclosures of nonpublic personal information as permitted under § 716.7(f).
161	**Subpart D – Relation to Other Laws; Effective Date**	**.16 – Protection of Fair Credit Reporting Act**		X		§ 716.16 Protection of Fair Credit Reporting Act. Nothing in this part shall be construed to modify, limit, or supersede the operation of the Fair Credit Reporting Act (15 U.S.C. 1681 et seq.), and no inference shall be drawn on the basis of the provisions of this part regarding whether PART 716 privacy of consumer financial information.
162		.17 – Relation to state laws		X		§ 716.17 Relation to state laws. (a) In general. This part shall not be construed as superseding, altering, or affecting any statute, regulation, order or interpretation in effect in any state, except to the extent that such state statute, regulation, order or interpretation is inconsistent with the provisions of this part, and then only to the extent of the inconsistency. (b) Greater protection under state law. For purposes of this section, a state statute, regulation, order or interpretation is not inconsistent with the provisions of this part if the protection such statute, regulation, order or interpretation affords any consumer is greater than the protection provided under this part, as determined by the Federal Trade Commission, after consultation with the National Credit Union Administration, on the Federal Trade Commission's own motion or upon the petition of any interested party.
163		.18 – Effective date; transition rule.		X		§ 716.18 Effective date; transition rule. (a) Effective date. This part is effective November 13, 2000. In order to provide sufficient time for you to establish policies and systems to comply with the requirements of this part, the National Credit Union Administration Board has extended the time for compliance with this part until July 1, 2001. (b)(1) Notice requirement for consumers who were your members on the compliance date. By July 1, 2001, you must provide an initial notice, as required by § 716.4, to consumers who are your members on July 1, 2001. (2) Example. You provide an initial notice to consumers who are your members on July 1, 2001, if, by that date, you have established a system for providing an initial notice to all new members and have mailed the initial notice to all your existing members. (c) Two-year grandfathering of service agreements. Until July 1, 2002, a contract that you have entered into with a nonaffiliated third party to perform services for you or functions on your behalf satisfies the provisions of §716.13(a)(2) of this part, even if the contract does not include a requirement that the third party maintain the confidentiality of nonpublic personal information, as long as the agreement was entered into on or before July 1, 2000.
164	**§717 – Fair Credit Reporting**	**.1 Purpose, scope and effective dates.**			**This entire section of NCUAs regulations, including Subparts A through I, deals with the implementation of the Fair Credit Reporting Act which is designed to protect consumers (members) from unfair or deceptive practices.**	§ 717.1 Purpose, scope, and effective dates. (a) Purpose. The purpose of this part is to implement the provisions of the Fair Credit Reporting Act. This part generally applies to federal credit unions that obtain and use information about consumers to determine the consumer's eligibility for products, services, or employment, share such information among affiliates, and furnish information to consumer reporting agencies. (b) Scope. (1) [Reserved] (2) Institutions covered. (i) Except as otherwise provided in this part, the regulations in this part apply to federal credit unions.
165		.2 – Examples				§ 717.2 Examples. The examples in this part are not exclusive. Compliance with an example, to the extent applicable, constitutes compliance with this part. Examples in a paragraph illustrate only the issue described in the paragraph and do not illustrate any other issue that may arise in this part.
166		.3 – Definitions				§ 717.3 Definitions. For purposes of this part, unless explicitly stated otherwise: (a) Act means the Fair Credit Reporting Act (15 U.S.C. 1681 et seq.). (b) Affiliate means any company that is related by common ownership or common corporate control with another company. For example, an affiliate of a Federal credit union is a credit union service corporation (CUSO), as provided in 12 CFR part 712, that is controlled by the Federal credit union. (c) [Reserved] (d) Company means any corporation, limited liability company, business trust, general or limited partnership, association, or similar organization. (e) Consumer means an individual.(f)–(h) [Reserved] (i) Common ownership or common corporate control means a relationship between two companies under which: (1) One company has, with respect to the other company: (i) Ownership, control, or power to vote 25 percent or more of the outstanding shares of any class of voting security of a company, directly or indirectly, or acting through one or more other persons; (ii) Control in any manner over the election of a majority of the directors, trustees, or general partners (or individuals exercising similar functions) of a company; or (iii) The power to exercise, directly or indirectly, a controlling influence over the management or policies of a company, as the NCUA determines; or (iv) NCUA will presume a credit union has a controlling influence over the management or policies of a CUSO, if the CUSO is 67% owned by credit unions. (2) Any other person has, with respect to both companies, a relationship described in paragraphs (i)(1)(i) through (i) (1)(iii) of this section. (j) [Reserved] (k) Medical information means: (1) Information or data, whether oral or recorded, in any form or medium, created by or derived from a health care provider or the consumer, that relates to (i) The past, present, or future physical, mental, or behavioral health or condition of an individual; (ii) The provision of health care to an individual; or (iii) The payment for the provision of health care to an individual. (2) The term does not include: (i) The age or gender of a consumer; (ii) Demographic information about the consumer, including a consumer's residence address or e-mail address; (iii) Any other information about a consumer that does not relate to the physical, mental, or behavioral health or condition of a consumer, including the existence or value of any insurance policy; or (iv) Information that does not identify a specific consumer. (l) Person means any individual, partnership, corporation, trust, estate, cooperative, association, government or governmental, subdivision or agency, or other entity. (m) [Reserved] (n) [Reserved] (o) You means a Federal credit union.
167	Subpart B	Reserved				

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168	**Subpart C – Affiliate Marketing**	**.20 – Coverage and definitions**		X		§ 717.20 Coverage and definitions. (a) Coverage. Subpart C of this part applies to federal credit unions and their affiliates as defined in section 717.3(a) of Subpart A. (b) Definitions. For purposes of this subpart: (1) Clear and conspicuous. The term “clear and conspicuous” means reasonably understandable and designed to call attention to the nature and significance of the information presented. (2) Concise. (i) In general. The term “concise” means a reasonably brief expression or statement. (ii) Combination with other required disclosures. A notice required by this subpart may be concise even if it is combined with other disclosures required or authorized by federal or state law. (3) Eligibility information. The term “eligibility information” means any information the communication of which would be a consumer report if the exclusions from the definition of “consumer report” in section 603(d)(2) (A) of the Act did not apply. Eligibility information does not include aggregate or blind data that does not contain personal identifiers such as account numbers, names, or addresses. (4) Pre-existing business relationship. (i) In general. The term “pre-existing business relationship” means a relationship between a person, or a person’s licensed agent, and a consumer based on— (A) A financial contract between the person and the consumer which is in force on the date on which the consumer is sent a solicitation covered by this subpart; (B) The purchase, rental, or lease by the consumer of the person’s goods or services, or a financial transaction (including holding an active account or a policy in force or having another continuing relationship) between the consumer and the person, during the 18-month period immediately preceding the date on which the consumer is sent a solicitation covered by this subpart; or (C) An inquiry or application by the consumer regarding a product or service offered by that person during the three-month period immediately preceding the date on which the consumer is sent a solicitation covered by this subpart. (ii) Examples of pre-existing business relationships. (A) If a consumer has a time deposit account, such as a share certificate, at a federal credit union that is currently in force, the federal credit union has a pre-existing business relationship with the consumer and can use eligibility information it receives from its affiliates to make solicitations to the consumer about its products or services. (B) If a consumer obtained a share certificate from a federal credit union, but did not renew the certificate at maturity, the federal credit union has a pre-existing business relationship with the consumer and can use eligibility information it receives from its affiliates to make solicitations to the consumer about its products or services for18 months after the date of maturity of the share certificate. (C) If a consumer obtains a mortgage, the mortgage lender has a pre-existing business relationship with the consumer. If the mortgage lender sells the consumer’s entire loan to an investor, the mortgage lender has a pre-existing business relationship with the consumer and can use eligibility information it receives from its affiliates to make solicitations to the consumer about its products or services for 18 months after the date it sells the loan, and the investor has a pre-existing business relationship with the consumer upon purchasing the loan. If, however, the mortgage lender sells a fractional interest in the consumer’s loan to an investor but also retains an ownership interest in the loan, the mortgage lender continues to have a pre-existing business relationship with the consumer, but the investor does not have a pre-existing business relationship with the consumer. If the mortgage lender retains ownership of the loan, but sells ownership of the servicing rights to the consumer’s loan, the mortgage lender continues to have a pre-existing business relationship with the consumer. The purchaser of the servicing rights also has a pre-existing business relationship with the consumer as of the date it purchases ownership of the servicing rights, but only if it collects payments from or otherwise deals directly with the consumer on a continuing basis. (D) If a consumer applies to a federal credit union for a product or service that it offers, but does not obtain a product or service from or enter into a financial contract or transaction with the institution, the federal credit union has a pre-existing business relationship with the consumer and can therefore use eligibility information it receives from an affiliate to make solicitations to the consumer about its products or services for three months after the date of the application. (E) If a consumer makes a telephone inquiry to a federal credit union about its products or services and provides contact information to the institution, but does not obtain a product or service from or enter into a financial contract or transaction with the institution, the federal credit union has a pre-existing business relationship with the consumer and can therefore use eligibility information it receives from an affiliate to make solicitations to the consumer about its products or services for three months after the date of the inquiry. (F) If a consumer makes an inquiry to a federal credit union by e-mail about its products or services, but does not obtain a product or service from or enter into a financial contract or transaction with the institution, the federal credit union has a pre-existing business relationship with the consumer and can therefore use eligibility information it receives from an affiliate to make solicitations to the consumer about its products or services for three months after the date of the inquiry. (G) If a consumer has an existing relationship with a federal credit union that is part of a group of affiliated companies, makes a telephone call to the centralized call center for the group of affiliated companies to inquire about products or services offered by the insurance brokerage affiliate, and provides contact information to the call center, the call constitutes an inquiry to the insurance brokerage affiliate that offers those products or services. The insurance brokerage affiliate has a pre-existing business relationship with the consumer and can therefore use eligibility information it receives from its affiliated federal credit union to make solicitations to the consumer about its products or services for three months after the date of the inquiry. (iii) Examples where no pre-existing business relationship is created. (A) If a consumer makes a telephone call to a centralized call center for a group of affiliated companies to inquire about the consumer’s existing account at a federal credit union, the call does not constitute an inquiry to any affiliate other than the federal credit union that holds the consumer’s account and does not establish a pre-existing business relationship between the consumer and any affiliate of the account-holding federal credit union. (B) If a consumer who has a deposit account with a federal credit union makes a telephone call to an affiliate of the institution to ask about the affiliate’s retail locations and hours, but does not make an inquiry about the affiliate’s products or services, the call does not constitute an inquiry and does not establish a pre-existing business relationship between the consumer and the affiliate. Also, the affiliate’s capture of the consumer’s telephone number does not constitute an inquiry and does not establish a pre-existing business relationship between the consumer and the affiliate. (C) If a consumer makes a telephone call to a federal credit union in response to an advertisement that offers a free promotional item to consumers who call a toll-free number, but the advertisement does not indicate that the federal credit union’s products or services will be marketed to consumers who call in response, the call does not create a pre-existing business relationship between the consumer and the federal credit union because the consumer has not made an inquiry about a product or service offered by the institution, but has merely responded to an offer for a free promotional item. (5) Solicitation. (i) In general. The term “solicitation” means the marketing of a product or service initiated by a person to a particular consumer that is— (A) Based on eligibility information communicated to that person by its affiliate as described in this subpart; and (B) Intended to encourage the consumer to purchase or obtain such product or service. (ii) Exclusion of marketing directed at the general public. A solicitation does not include marketing communications that are directed at the general public. For example, television, general circulation magazine, and billboard advertisements do not constitute solicitations, even if those communications are intended to encourage consumers to purchase products and services from the person initiating the communications. (iii) Examples of solicitations. A solicitation would include, for example, a telemarketing call, direct mail, e-mail, or other form of marketing communication directed to a particular consumer that is based on eligibility information received from an affiliate. (6) You means a person described in paragraph (a) of this section.
169		.21- Affiliate marketing opt-out and exceptions		X		§ 717.21 Affiliate marketing opt-out and exceptions. (a) Initial notice and opt-out requirement. (1) In general. You may not use eligibility information about a consumer that you receive from an affiliate to make a solicitation for marketing purposes to the consumer, unless— (i) It is clearly and conspicuously disclosed to the consumer in writing or, if the consumer agrees, electronically, in a concise notice that you may use eligibility information about that consumer received from an affiliate to make solicitations for marketing purposes to the consumer; (ii) The consumer is provided a reasonable opportunity and a reasonable and simple method to “opt out,” or prohibit you from using eligibility information to make solicitations for marketing purposes to the consumer; and (iii) The consumer has not opted out. (2) Example. A consumer has a homeowner’s insurance policy obtained through an insurance brokerage. The insurance brokerage furnishes eligibility information about the consumer to its affiliated federal credit union. Based on that eligibility information, the federal credit union wants to make a solicitation to the consumer about its home equity loan products. The federal credit union does not have a pre-existing business relationship with the consumer and none of the other exceptions apply.

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						The federal credit union is prohibited from using eligibility information received from its insurance brokerage affiliate to make solicitations to the consumer about its home equity loan products unless the consumer is given a notice and opportunity to opt out and the consumer does not opt out. (3) Affiliates who may provide the notice. The notice required by this paragraph must be provided: (i) By an affiliate that has or has previously had a pre-existing business relationship with the consumer; or (ii) As part of a joint notice from two or more members of an affiliated group of companies, provided that at least one of the affiliates on the joint notice has or has previously had a pre-existing business relationship with the consumer. (b) Making solicitations. (1) In general. For purposes of this subpart, you make a solicitation for marketing purposes if— (i) You receive eligibility information from an affiliate; (ii) You use that eligibility information to do one or more of the following: (A) Identify the consumer or type of consumer to receive a solicitation; (B) Establish criteria used to select the consumer to receive a solicitation; or (C) Decide which of your products or services to market to the consumer or tailor your solicitation to that consumer; and (iii) As a result of your use of the eligibility information, the consumer is provided a solicitation. (2) Receiving eligibility information from an affiliate, including through a common database. You may receive eligibility information from an affiliate in various ways, including when the affiliate places that information into a common database that you may access. (3) Receipt or use of eligibility information by your service provider. Except as provided in paragraph (b)(5) of this section, you receive or use an affiliate's eligibility information if a service provider acting on your behalf (whether an affiliate or a nonaffiliated third party) receives or uses that information in the manner described in paragraphs (b)(1)(i) or (b)(1)(ii) of this section. All relevant facts and circumstances will determine whether a person is acting as your service provider when it receives or uses an affiliate's eligibility information in connection with marketing your products and services. (4) Use by an affiliate of its own eligibility information. Unless you have used eligibility information that you receive from an affiliate in the manner described in paragraph (b)(1)(ii) of this section, you do not make a solicitation subject to this subpart if your affiliate: (i) Uses its own eligibility information that it obtained in connection with a pre-existing business relationship it has or had with the consumer to market your products or services to the consumer; or (ii) Directs its service provider to use the affiliate's own eligibility information that it obtained in connection with a pre-existing business relationship it has or had with the consumer to market your products or services to the consumer, and you do not communicate directly with the service provider regarding that use. (5) Use of eligibility information by a service provider. (i) In general. You do not make a solicitation subject to Subpart C of this part if a service provider (including an affiliated or third-party service provider that maintains or accesses a common database that you may access) receives eligibility information from your affiliate that your affiliate obtained in connection with a pre-existing business relationship it has or had with the consumer and uses that eligibility information to market your products or services to the consumer, so long as— (A) Your affiliate controls access to and use of its eligibility information by the service provider (including the right to establish the specific terms and conditions under which the service provider may use such information to market your products or services); (B) Your affiliate establishes specific terms and conditions under which the service provider may access and use the affiliate's eligibility information to market your products and services (or those of affiliates generally) to the consumer, such as the identity of the affiliated companies whose products or services may be marketed to the consumer by the service provider, the types of products or services of affiliated companies that may be marketed, and the number of times the consumer may receive marketing materials, and periodically evaluates the service provider's compliance with those terms and conditions; (C) Your affiliate requires the service provider to implement reasonable policies and procedures designed to ensure that the service provider uses the affiliate's eligibility information in accordance with the terms and conditions established by the affiliate relating to the marketing of your products or services;
						(D) Your affiliate is identified on or with the marketing materials provided to the consumer; and (E) You do not directly use your affiliate's eligibility information in the manner described in paragraph (b)(1) (ii) of this section. (ii) Writing requirements. (A) The requirements of paragraphs (b)(5)(i)(A) and (C) of this section must be set forth in a written agreement between your affiliate and the service provider; and (B) The specific terms and conditions established by your affiliate as provided in paragraph (b)(5)(i)(B) of this section must be set forth in writing. (6) Examples of making solicitations. (i) A consumer has a deposit account with a federal credit union, which is affiliated with an insurance brokerage. The insurance brokerage receives eligibility information about the consumer from the federal credit union. The insurance brokerage uses that eligibility information to identify the consumer to receive a solicitation about insurance brokerage services, and, as a result, the insurance brokerage provides a solicitation to the consumer about its services. Pursuant to paragraph (b)(1) of this section, the insurance brokerage has made a solicitation to the consumer. (ii) The same facts as in the example in paragraph (b)(6)(i) of this section, except that after using the eligibility information to identify the consumer to receive a solicitation about insurance brokerage services, the insurance brokerage asks the federal credit union to send the solicitation to the consumer and the federal credit union does so. Pursuant to paragraph (b)(1) of this section, the insurance brokerage has made a solicitation to the consumer because it used eligibility information about the consumer that it received from an affiliate to identify the consumer to receive a solicitation about its products or services, and, as a result, a solicitation was provided to the consumer about the insurance brokerage's services. (iii) The same facts as in the example in paragraph (b) (6)(i) of this section, except that eligibility information about consumers that have deposit accounts with the federal credit union is placed into a common database that all members of the affiliated group of companies may independently access and use. Without using the federal credit union's eligibility information, the insurance brokerage develops selection criteria and provides those criteria, marketing materials, and related instructions to the federal credit union. The federal credit union reviews eligibility information about its own consumers using the selection criteria provided by the insurance brokerage to determine which consumers should receive the insurance brokerage's marketing materials and sends marketing materials about the insurance brokerage's services to those consumers. Even though the insurance brokerage has received eligibility information through the common database as provided in paragraph (b)(2) of this section, it did not use that information to identify consumers or establish selection criteria; instead, the federal credit union used its own eligibility information. Therefore, pursuant to paragraph (b)(4)(i) of this section, the insurance brokerage has not made a solicitation to the consumer. (iv) The same facts as in the example in paragraph (b)(6)(iii) of this section, except that the federal credit union provides the insurance brokerage's criteria to the federal credit union's service provider and directs the service provider to use the federal credit union's eligibility information to identify federal credit union consumers who meet the criteria and to send the insurance brokerage's marketing materials to those consumers. The insurance brokerage does not communicate directly with the service provider regarding the use of the federal credit union's information to market its services to the federal credit union's consumers. Pursuant to paragraph (b)(4)(ii) of this section, the insurance brokerage has not made a solicitation to the consumer. (v) An affiliated group of companies includes a federal credit union, an insurance brokerage, and a service provider. Each affiliate in the group places information about its consumers into a common database. The service provider has access to all information in the common database. The federal credit union controls access to and use of its eligibility information by the service provider. This control is set forth in a written agreement between the federal credit union and the service provider. The written agreement also requires the service provider to establish reasonable policies and procedures designed to ensure that the service provider uses the federal credit union's eligibility information in accordance with specific terms and conditions established by the federal credit union relating to the marketing of the products and services of all affiliates, including the insurance brokerage. In a separate written communication, the federal credit union specifies the terms and conditions under which the service provider may use the federal credit union's eligibility information to market the insurance brokerage's products and services to the federal credit union's consumers. The specific terms and conditions are: a list of affiliated companies (including the insurance brokerage) whose products or services may be marketed to the federal credit union's consumers by the service provider; the specific products or types of products that may be marketed to the federal credit union's consumers by the service provider; the categories of eligibility information that may be used by the service provider in marketing products or services to the federal credit union's consumers; the types or

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						categories of the federal credit union's consumers to whom the service provider may market products or services of federal credit union affiliates; the number and/or types of marketing communications that the service provider may send to the federal credit union's consumers; and the length of time during which the service provider may market the products or services of the federal credit union's affiliates to its consumers. The federal credit union periodically evaluates the service provider's compliance with these terms and conditions. The insurance brokerage asks the service provider to market insurance products to certain consumers who have deposit accounts with the federal credit union. Without using the federal credit union's eligibility information, the insurance brokerage develops selection criteria and provides those criteria, marketing materials, and related instructions to the service provider. The service provider uses the federal credit union's eligibility information from the common database to identify the federal credit union's consumers to whom insurance brokerage services will be marketed. When the insurance brokerage's marketing materials are provided to the identified consumers, the name of the federal credit union is displayed on the brokerage marketing materials, an introductory letter that accompanies the marketing materials, an account statement that accompanies the marketing materials, or the envelope containing the marketing materials. The requirements of paragraph (b) (5) of this section have been satisfied, and the insurance brokerage has not made a solicitation to the consumer. (vi) The same facts as in the example in paragraph (b) (6)(v) of this section, except that the terms and conditions permit the service provider to use the federal credit union's eligibility information to market the products and services of other affiliates to the federal credit union's consumers whenever the service provider deems it appropriate to do so. The service provider uses the federal credit union's eligibility information in accordance with the discretion afforded to it by the terms and conditions. Because the terms and conditions are not specific, the requirements of paragraph (b)(5) of this section have not been satisfied. (c) Exceptions. The provisions of this subpart do not apply to you if you use eligibility information that you receive from an affiliate: (1) To make a solicitation for marketing purposes to a consumer with whom you have a pre-existing business relationship; (2) To facilitate communications to an individual for whose benefit you provide employee benefit or other services pursuant to a contract with an employer related to and arising out of the current employment relationship or status of the individual as a participant or beneficiary of an employee benefit plan; (3) To perform services on behalf of an affiliate, except that this subparagraph shall not be construed as permitting you to send solicitations on behalf of an affiliate if the affiliate would not be permitted to send the solicitation as a result of the election of the consumer to opt out under this subpart; (4) In response to a communication about your products or services initiated by the consumer; (5) In response to an authorization or request by the consumer to receive solicitations; or (6) If your compliance with this subpart would prevent you from complying with any provision of State insurance laws pertaining to unfair discrimination in any State in which you are lawfully doing business. (d) Examples of exceptions. (1) Example of the pre-existing business relationship exception. A consumer has a deposit account with a federal credit union. The consumer also has a relationship with the federal credit union's securities brokerage affiliate. The federal credit union receives eligibility information about the consumer from its securities brokerage affiliate and uses that information to make a solicitation to the consumer about the federal credit union's wealth management services. The federal credit union may make this solicitation even if the consumer has not been given a notice and opportunity to opt out because the federal credit union has a pre-existing business relationship with the consumer. (2) Examples of service provider exception. (i) A consumer has an insurance policy obtained through an insurance brokerage. The insurance brokerage furnishes eligibility information about the consumer to its affiliated federal credit union. Based on that eligibility information, the federal credit union wants to make a solicitation to the consumer about membership and its deposit products. The federal credit union does not have a pre-existing business relationship with the consumer and none of the other exceptions in paragraph (c) of this section apply. The consumer has been given an opt-out notice and has elected to opt out of receiving such solicitations. The federal credit union asks a service provider to send the solicitation to the consumer on its behalf. The service provider may not send the solicitation on behalf of the federal credit union because, as a result of the consumer's opt-out election, the federal credit union is not permitted to make the solicitation. (ii) The same facts as in paragraph (d)(2)(i) of this section, except the consumer has been given an opt-out notice, but has not elected to opt out. The federal credit union asks a service provider to send the solicitation to the consumer on its behalf. The service provider may send the solicitation on behalf of the federal credit union because, as a result of the consumer's not opting out, the federal credit union is permitted to make the solicitation. (3) Examples of consumer-initiated communications. (i) A consumer who has a deposit account with a federal credit union initiates a communication with the federal credit union's credit card affiliate to request information about a credit card. The credit card affiliate may use eligibility information about the consumer it obtains from the federal credit union or any other affiliate to make solicitations regarding credit card products in response to the consumer-initiated communication. (ii) A consumer who has a deposit account with a federal credit union contacts the institution to request information about how to save and invest for a child's college education without specifying the type of product in which the consumer may be interested. Information about a range of different products or services offered by the federal credit union and one or more affiliates of the institution may be responsive to that communication. Such products or services may include the following: Mutual funds offered by the institution; section 529 plans offered by the institution or its securities brokerage affiliate; or trust services offered by the institution or its trust services affiliate. Any affiliate offering investment counseling services that would be responsive to the consumer's request for information about saving and investing for a child's college education may use eligibility information to make solicitations to the consumer in response to this communication. (iii) A credit card issuer makes a marketing call to the consumer without using eligibility information received from an affiliate. The issuer leaves a voice-mail message that invites the consumer to call a toll-free number to apply for the issuer's credit card. If the consumer calls the toll-free number to inquire about the credit card, the call is a consumer-initiated communication about a product or service and the credit card issuer may now use eligibility information it receives from its affiliates to make solicitations to the consumer. (iv) A consumer calls a federal credit union to ask about retail locations and hours, but does not request information about products or services. The institution may not use eligibility information it receives from an affiliate to make solicitations to the consumer about its products or services because the consumer-initiated communication does not relate to the federal credit union's products or services. Thus, the use of eligibility information received from an affiliate would not be responsive to the communication and the exception does not apply. (v) A consumer calls a federal credit union to ask about retail locations and hours. The customer service representative asks the consumer if there is a particular product or service about which the consumer is seeking information. The consumer responds that the consumer wants to stop in and find out about share certificates. The customer service representative offers to provide that information by telephone and mail additional information and application materials to the consumer. The consumer agrees and provides or confirms contact information for receipt of the materials to be mailed. The federal credit union may use eligibility information it receives from an affiliate to make solicitations to the consumer about share certificates because such solicitations would respond to the consumer-initiated communication about products or services. (4) Examples of consumer authorization or request for solicitations. (i) A consumer who obtains a mortgage from a federal credit union authorizes or requests information about obtaining homeowner's insurance through the federal credit union's insurance brokerage affiliate. Such authorization or request, whether given to the federal credit union or to the insurance brokerage affiliate, would permit the insurance brokerage to use eligibility information about the consumer it obtains from the federal credit union or any other affiliate to make solicitations to the consumer about its homeowner's insurance services. (ii) A consumer completes an online application to apply for a credit card from a credit card issuer. The issuer's online application contains a blank check box that the consumer may check to authorize or request information from the credit card issuer's affiliates. The consumer checks the box. The consumer has authorized or requested solicitations from the card issuer's affiliates. (iii) A consumer completes an online application to apply for a credit card from a credit card issuer. The issuer's online application contains a preselected check box indicating that the consumer authorizes or requests information from the issuer's affiliates. The consumer does not deselect the check box. The consumer has not authorized or requested solicitations from the card issuer's affiliates. (iv) The terms and conditions of a credit card account agreement contain preprinted boilerplate language stating that by applying to open an account the consumer authorizes or requests to receive solicitations from the credit card issuer's affiliates. The consumer has not authorized or

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						requested solicitations from the card issuer's affiliates. (e) Relation to affiliate-sharing notice and opt-out. Nothing in this subpart limits the responsibility of a person to comply with the notice and opt-out provisions of section 603(d)(2)(A)(iii) of the Act where applicable.
170		.22- Scope and duration of opt-out.		X		§ 717.22 Scope and duration of opt-out. (a) Scope of opt-out. (1) In general. Except as otherwise provided in this section, the consumer's election to opt out prohibits any affiliate covered by the opt-out notice from using eligibility information received from another affiliate as described in the notice to make solicitations to the consumer. (2) Continuing relationship. (i) In general. If the consumer establishes a continuing relationship with you or your affiliate, an opt-out notice may apply to eligibility information obtained in connection with— (A) A single continuing relationship or multiple continuing relationships that the consumer establishes with you or your affiliates, including continuing relationships established subsequent to delivery of the opt-out notice, so long as the notice adequately describes the continuing relationships covered by the opt-out; or (B) Any other transaction between the consumer and you or your affiliates as described in the notice. (ii) Examples of continuing relationships. A consumer has a continuing relationship with you or your affiliate if the consumer— (A) Opens a deposit or investment account with you or your affiliate; (B) Obtains a loan for which you or your affiliate owns the servicing rights; (C) Purchases an insurance product from you or your affiliate; (D) Holds an investment product through you or your affiliate, such as when you act or your affiliate acts as a custodian for securities or for assets in an individual retirement arrangement; (E) Enters into an agreement or understanding with you or your affiliate whereby you or your affiliate undertakes to arrange or broker a home mortgage loan for the (F) Enters into a lease of personal property with you or your affiliate; or (G) Obtains financial, investment, or economic advisory services from you or your affiliate for a fee. (3) No continuing relationship. (i) In general. If there is no continuing relationship between a consumer and you or your affiliate, and you or your affiliate obtain eligibility information about a consumer in connection with a transaction with the consumer, such as an isolated transaction or a credit application that is denied, an opt-out notice provided to the consumer only applies to eligibility information obtained in connection with that transaction. (ii) Examples of isolated transactions. An isolated transaction occurs if— (A) The consumer uses your or your affiliate's ATM to withdraw cash from an account at another financial institution; or (B) You or your affiliate sells the consumer a cashier's check or money order, airline tickets, travel insurance, or traveler's checks in isolated transactions. (4) Menu of alternatives. A consumer may be given the opportunity to choose from a menu of alternatives when electing to prohibit solicitations, such as by electing to prohibit solicitations from certain types of affiliates covered by the opt-out notice but not other types of affiliates covered by the notice, electing to prohibit solicitations based on certain types of eligibility information but not other types of eligibility information, or
						electing to prohibit solicitations by certain methods of delivery but not other methods of delivery. However, one of the alternatives must allow the consumer to prohibit all solicitations from all of the affiliates that are covered by the notice. (5) Special rule for a notice following termination of all continuing relationships. (i) In general. A consumer must be given a new opt-out notice if, after all continuing relationships with you or your affiliate(s) are terminated, the consumer subsequently establishes another continuing relationship with you or your affiliate(s) and the consumer's eligibility information is to be used to make a solicitation. The new opt-out notice must apply, at a minimum, to eligibility information obtained in connection with the new continuing relationship. Consistent with paragraph (b) of this section, the consumer's decision not to opt out after receiving the new opt-out notice would not override a prior opt-out election by the consumer that applies to eligibility information obtained in connection with a terminated relationship, regardless of whether the new opt-out notice applies to eligibility information obtained in connection with the terminated relationship. (ii) Example. A consumer is a member of a federal credit union that is part of an affiliated group. The consumer terminates his membership. One year later, the consumer rejoins and opens a savings account with the same federal credit union. The consumer must be given a new notice and opportunity to opt out before the federal credit union's affiliates may make solicitations to the consumer using eligibility information obtained by the federal credit union in connection with the newly established account relationship, regardless of whether the consumer opted out in connection with accounts held during the previous member relationship. (b) Duration of opt-out. The election of a consumer to opt out must be effective for a period of at least five years (the "opt-out period") beginning when the consumer's opt-out election is received and implemented, unless the consumer subsequently revokes the opt-out in writing or, if the consumer agrees, electronically. An opt-out period of more than five years may be established, including an opt-out period that does not expire unless revoked by the consumer. (c) Time of opt-out. A consumer may opt out at any time.
171		.23- Contents of opt-out notice; consolidated and equivalent notices.		X		§ 717.23 Contents of opt-out notice; consolidated and equivalent notices. (a) Contents of opt-out notice. (1) In general. A notice must be clear, conspicuous, and concise, and must accurately disclose: (i) The name of the affiliate(s) providing the notice. If the notice is provided jointly by multiple affiliates and each affiliate shares a common name, such as "ABC," then the notice may indicate that it is being provided by multiple companies with the ABC name or multiple companies in the ABC group or family of companies, for example, by stating that the notice is provided by "all of the ABC companies," "the ABC federal credit union, credit card, insurance brokerage, and securities brokerage companies," or by listing the name of each affiliate providing the notice. But if the affiliates providing the joint notice do not all share a common name, then the notice must either separately identify each affiliate by name or identify each of the common names used by those affiliates, for example, by stating that the notice is provided by "all of the ABC and XYZ companies" or by "the ABC federal credit union and credit card companies and the XYZ insurance brokerage company"; (ii) A list of the affiliates or types of affiliates whose use of eligibility information is covered by the notice, which may include companies that become affiliates after the notice is provided to the consumer. If each affiliate covered by the notice shares a common name, such as "ABC," then the notice may indicate that it applies to multiple companies with the ABC name or multiple companies in the ABC group or family of companies, for example, by stating that the notice is provided by "all of the ABC companies," "the ABC federal credit union, credit card, insurance brokerage, and securities brokerage companies," or by listing the name of each affiliate providing the notice. But if the affiliates covered by the notice do not all share a common name, then the notice must either separately identify each covered affiliate by name or identify each of the common names used by those affiliates, for example, by stating that the notice applies to "all of the ABC and XYZ companies" or to "the ABC federal credit union and credit card companies and the XYZ insurance brokerage company"; (iii) A general description of the types of eligibility information that may be used to make solicitations to the consumer; (iv) That the consumer may elect to limit the use of eligibility information to make solicitations to the consumer; (v) That the consumer's election will apply for the specified period of time stated in the notice and, if applicable, that the consumer will be allowed to renew the election once that period expires; (vi) If the notice is provided to consumers who may have previously opted out, such as if a notice is provided to consumers annually, that the consumer who has chosen to limit solicitations does not need to act again until the consumer receives a renewal notice; and (vii) A reasonable and simple method for the consumer to opt out. (2) Joint relationships. (i) If two or more consumers jointly obtain a product or service, a single opt-out notice may be provided to the joint consumers. Any of the joint consumers may exercise the right to opt out. (ii) The opt-out notice must explain how an opt-out direction by a joint consumer will be treated. An opt-out direction by a joint consumer may be treated as applying to all of the associated joint consumers, or each joint consumer may be permitted to opt-out separately. If each joint consumer is permitted to opt out separately, one of the joint consumers must be permitted to opt out on behalf of all of the joint consumers and the joint consumers must be permitted to exercise their separate rights to opt out in a single response. (iii) It is impermissible to require all joint consumers to opt out before implementing any opt-out direction. (3) Alternative contents. If the consumer is afforded a broader right to opt out of receiving marketing than is required by this subpart, the requirements of this section may be satisfied by providing the consumer with a clear, conspicuous, and concise notice that accurately discloses the consumer's opt-out rights. (4) Model notices. Model notices are provided in Appendix C of this part. (b) Coordinated and consolidated notices. A notice required by this subpart may be coordinated and consolidated with any other notice or disclosure required to be issued under any other provision of law by the entity providing the notice, including but

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						not limited to the notice described in section 603(d)(2)(A)(iii) of the Act and the Gramm-Leach-Bliley Act privacy notice. (c) Equivalent notices. A notice or other disclosure that is equivalent to the notice required by this subpart, and that is provided to a consumer together with disclosures required by any other provision of law, satisfies the requirements of this section.
172		.24 – Reasonable opportunity to opt-out.		X		§ 717.24 Reasonable opportunity to opt out. (a) In general. You must not use eligibility information about a consumer that you receive from an affiliate to make a solicitation to the consumer about your products or services, unless the consumer is provided a reasonable opportunity to opt out, as required by § 717.21(a)(1)(ii) of this part. (b) Examples of a reasonable opportunity to opt out. The consumer is given a reasonable opportunity to opt out if: (1) By mail. The opt-out notice is mailed to the consumer. The consumer is given 30 days from the date the notice is mailed to elect to opt out by any reasonable means. (2) By electronic means. (i) The opt-out notice is provided electronically to the consumer, such as by posting the notice at an Internet Web site at which the consumer has obtained a product or service. The consumer acknowledges receipt of the electronic notice. The consumer is given 30 days after the date the consumer acknowledges receipt to elect to opt out by any reasonable means. (ii) The opt-out notice is provided to the consumer by e-mail where the consumer has agreed to receive disclosures by e-mail from the person sending the notice. The consumer is given 30 days after the e-mail is sent to elect to opt out by any reasonable means. (3) At the time of an electronic transaction. The opt out notice is provided to the consumer at the time of an electronic transaction, such as a transaction conducted on an Internet Web site. The consumer is required to decide, as a necessary part of proceeding with the transaction, whether to opt out before completing the transaction. There is a simple process that the consumer may use to opt out at that time using the same mechanism through which the transaction is conducted. (4) At the time of an in-person transaction. The opt out notice is provided to the consumer in writing at the time of an in-person transaction. The consumer is required to decide, as a necessary part of proceeding with the transaction, whether to opt out before completing the transaction, and is not permitted to complete the transaction without making a choice. There is a simple process that the consumer may use during the course of the in-person transaction to opt out, such as completing a form that requires consumers to write a “yes” or “no” to indicate their opt-out preference or that requires the consumer to check one of two blank check boxes—one that allows consumers to indicate that they want to opt out and one that allows consumers to indicate that they do not want to opt out. (5) By including in a privacy notice. The opt-out notice is included in a Gramm-Leach-Bliley Act privacy notice. The consumer is allowed to exercise the opt-out within a reasonable period of time and in the same manner as the opt-out under that privacy notice.
173		.25 – Reasonable and simple methods of opting out.		X		§ 717.25 Reasonable and simple methods of opting out. (a) In general. You must not use eligibility information about a consumer that you receive from an affiliate to make a solicitation to the consumer about your products or services, unless the consumer is provided a reasonable and simple method to opt out, as required by § 717.21(a) (1)(ii) of this part. (b) Examples. (1) Reasonable and simple opt-out methods. Reasonable and simple methods for exercising the opt-out right include— (i) Designating a check-off box in a prominent position on the opt-out form; (ii) Including a reply form and a self-addressed envelope together with the opt-out notice; (iii) Providing an electronic means to opt out, such as a form that can be electronically mailed or processed at an Internet Web site, if the consumer agrees to the electronic delivery of information; (iv) Providing a toll-free telephone number that consumers may call to opt out; or (v) Allowing consumers to exercise all of their opt out rights described in a consolidated opt-out notice that includes the privacy opt-out under the Gramm-Leach- Bliley Act, 15 U.S.C. 6801 et seq., the affiliate sharing opt-out under the Act, and the affiliate marketing opt-out under the Act, by a single method, such as by calling a single toll-free telephone number. (2) Opt-out methods that are not reasonable and simple. Reasonable and simple methods for exercising an opt-out right do not include— (i) Requiring the consumer to write his or her own letter; (ii) Requiring the consumer to call or write to obtain a form for opting out, rather than including the form with the opt-out notice; (iii) Requiring the consumer who receives the opt-out notice in electronic form only, such as through posting at an Internet Web site, to opt out solely by paper mail or by visiting a different Web site without providing a link to that site. (c) Specific opt-out means. Each consumer may be required to opt out through a specific means, as long as that means is reasonable and simple for that consumer.
174		.26 – Delivery of opt-out notices.		X		§ 717.26 Delivery of opt-out notices. (a) In general. The opt-out notice must be provided so that each consumer can reasonably be expected to receive actual notice. For opt-out notices provided electronically, the notice may be provided in compliance with either the electronic disclosure provisions in this subpart or the provisions in section 101 of the Electronic Signatures in Global and National Commerce Act, 15 U.S.C. 7001 et seq. (b) Examples of reasonable expectation of actual notice. A consumer may reasonably be expected to receive actual notice if the affiliate providing the notice: (1) Hand-delivers a printed copy of the notice to the consumer; (2) Mails a printed copy of the notice to the last known mailing address of the consumer; (3) Provides a notice by e-mail to a consumer who has agreed to receive electronic disclosures by e-mail from the affiliate providing the notice; or (4) Posts the notice on the Internet Web site at which the consumer obtained a product or service electronically and requires the consumer to acknowledge receipt of the notice. (c) Examples of no reasonable expectation of actual notice. A consumer may not reasonably be expected to receive actual notice if the affiliate providing the notice: (1) Only posts the notice on a sign in a branch or office or generally publishes the notice in a newspaper; (2) Sends the notice via e-mail to a consumer who has not agreed to receive electronic disclosures by e-mail from the affiliate providing the notice; or (3) Posts the notice on an Internet Web site without requiring the consumer to acknowledge receipt of the notice.
175		.27 – Renewal of opt-out.		X		§ 717.27 Renewal of opt-out. (a) Renewal notice and opt-out requirement. (1) In general. After the opt-out period expires, you may not make solicitations based on eligibility information you receive from an affiliate to a consumer who previously opted out, unless: (i) The consumer has been given a renewal notice that complies with the requirements of this section and §§ 717.24 through 717.26 of this part, and a reasonable opportunity and a reasonable and simple method to renew the opt-out, and the consumer does not renew the opt-out; or (ii) An exception in § 717.21(c) of this part applies. (2) Renewal period. Each opt-out renewal must be effective for a period of at least five years as provided in § 717.22(b) of this part. (3) Affiliates who may provide the notice. The notice required by this paragraph must be provided: (i) By the affiliate that provided the previous opt-out notice, or its successor; or (ii) As part of a joint renewal notice from two or more members of an affiliated group of companies, or their successors, that jointly provided the previous opt-out notice. (b) Contents of renewal notice. The renewal notice must be clear, conspicuous, and concise, and must accurately disclose: (1) The name of the affiliate(s) providing the notice. If the notice is provided jointly by multiple affiliates and each affiliate shares a common name, such as “ABC,” then the notice may indicate that it is being provided by multiple companies with the ABC name or multiple companies in the ABC group or family of companies, for example, by stating that the notice is provided by “all of the ABC companies,” “the ABC federal credit union, credit card, insurance brokerage, and securities brokerage companies,” or by listing the name of each affiliate providing the notice. But if the affiliates providing the joint notice do not all share a common name, then the notice must either separately identify each affiliate by name or identify each of the common names used by those affiliates, for example, by stating that the notice is provided by “all of the ABC and XYZ companies” or by “the ABC federal credit union and credit card companies and the XYZ insurance brokerage company”; (2) A list of the affiliates or types of affiliates whose use of eligibility information is covered by the notice, which may include companies that become affiliates after the notice is provided to the consumer. If each affiliate covered by the notice shares a common name, such as “ABC,” then the notice may indicate that it applies to multiple companies with the ABC name or multiple companies in the ABC group or family of companies, for example, by stating that the notice is provided by “all of the ABC companies,” “the ABC federal credit union, credit card, insurance brokerage, and securities brokerage companies,” or by listing the name of each affiliate providing the notice. But if the affiliates covered by the notice do not all share a common name, then the notice must either separately identify each covered affiliate by name or identify each of the common names used by those affiliates, for example, by stating that the notice applies to “all of the ABC and XYZ companies” or to “the ABC federal credit union and credit card companies and the XYZ insurance brokerage company”; (3) A general description of the types of eligibility information that may be used to make solicitations to

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						the consumer; (4) That the consumer previously elected to limit the use of certain information to make solicitations to the consumer; (5) That the consumer's election has expired or is about to expire; (6) That the consumer may elect to renew the consumer's previous election; (7) If applicable, that the consumer's election to renew will apply for the specified period of time stated in the notice and that the consumer will be allowed to renew the election once that period expires; and (8) A reasonable and simple method for the consumer to opt out. (c) Timing of the renewal notice. (1) In general. A renewal notice may be provided to the consumer either— (i) A reasonable period of time before the expiration of the opt-out period; or (ii) Any time after the expiration of the opt-out period but before solicitations that would have been prohibited by the expired opt-out are made to the consumer. (2) Combination with annual privacy notice. If you provide an annual privacy notice under the Gramm-Leach- Bliley Act, 15 U.S.C. 6801 et seq., providing a renewal notice with the last annual privacy notice provided to the consumer before expiration of the opt-out period is a reasonable period of time before expiration of the opt-out in all cases. (d) No effect on opt-out period. An opt-out period may not be shortened by sending a renewal notice to the consumer before expiration of the opt-out period, even if the consumer does not renew the opt out.
176		28 – Effective date, compliance date, and prospective application.		X		§ 717.28 Effective date, compliance date, and prospective application. (a) Effective date. This subpart is effective January 1, 2008 (b) Mandatory compliance date. Compliance with this subpart is required not later than October 1, 2008. (c) Prospective application. The provisions of this subpart shall not prohibit you from using eligibility information that you receive from an affiliate to make solicitations to a consumer if you receive such information prior to October 1, 2008. For purposes of this section, you are deemed to receive eligibility information when such information is placed into a common database and is accessible by you.
177	Subpart D – Medical Information	.30 -Obtaining or using medical information in connection with a determination of eligibility for credit.		X		§ 717.30 Obtaining or using medical information in connection with a determination of eligibility for credit. (a) Scope. This section applies to: (1) A Federal credit union that participates as a creditor in a transaction; or (2) Any other person that participates as a creditor in a transaction involving a person described in paragraph (a)(1) of this section. (b) General prohibition on obtaining or using medical information. (1) In general. A creditor may not obtain or use medical information pertaining to a consumer in connection with any determination of the consumer's eligibility, or continued eligibility, for credit, except as provided in this section. (2) Definitions. (i) Credit has the same meaning as in section 702 of the Equal Credit Opportunity Act, 15 U.S.C. 1691a. (ii) Creditor has the same meaning as in section 702 of the Equal Credit Opportunity Act, 15 U.S.C. 1691a. (iii) Eligibility, or continued eligibility, for credit means the consumer's qualification or fitness to receive, or continue to receive, credit, including the terms on which credit is offered. The term does not include: (A) Any determination of the consumer's qualification or fitness for employment, insurance (other than a credit insurance product), or other non-credit products or services; (B) Authorizing, processing, or documenting a payment or transaction on behalf of the consumer in a manner that does not involve a determination of the consumer's eligibility, or continued eligibility, for credit; or (C) Maintaining or servicing the consumer's account in a manner that does not involve a determination of the consumer's eligibility, or continued eligibility, for credit. (c) Rule of construction for obtaining and using unsolicited medical information—(1) In general. A creditor does not obtain medical information in violation of the prohibition if it receives medical information pertaining to a consumer in connection with any determination of the consumer's eligibility, or continued eligibility, for credit without specifically requesting medical information. (2) Use of unsolicited medical information. A creditor that receives unsolicited medical information in the manner described in paragraph (c)(1) may use that information in connection with any determination of the consumer's eligibility, or continued eligibility, for credit to the extent the creditor can rely on at least one of the exceptions in § 717.30(d) or (e). (3) Examples. A creditor does not obtain medical information in violation of the prohibition if, for example: (i) In response to a general question regarding a consumer's debts or expenses, the creditor receives information that the consumer owes a debt to a hospital. (ii) In a conversation with the creditor's loan officer, the consumer informs the creditor that the consumer has a particular medical condition. (iii) In connection with a consumer's application for an extension of credit, the creditor requests a consumer report from a consumer reporting agency and receives medical information in the consumer report furnished by the agency even though the creditor did not specifically request medical information from the consumer reporting agency. (d) Financial information exception for obtaining and using medical information—(1) In general. A creditor may obtain and use medical information pertaining to a consumer in connection with any determination of the consumer's eligibility, or continued eligibility, for credit so long as: (i) The information is the type of information routinely used in making credit eligibility determinations, such as information relating to debts, expenses, income, benefits, assets, collateral, or the purpose of the loan, including the use of proceeds; (ii) The creditor uses the medical information in a manner and to an extent that is no less favorable than it would use comparable information that is not medical information in a credit transaction; and (iii) The creditor does not take the consumer's physical, mental, or behavioral health, condition or history, type of treatment, or prognosis into account as part of any such determination. (2) Examples. (i) Examples of the types of information routinely used in making credit eligibility determinations. Paragraph (d)(1)(i) of this section permits a creditor, for example, to obtain and use information about: (A) The dollar amount, repayment terms, repayment history, and similar information regarding medical debts to calculate, measure, or verify the repayment ability of the consumer, the use of proceeds, or the terms for granting credit; (B) The value, condition, and lien status of a medical device that may serve as collateral to secure a loan; (C) The dollar amount and continued eligibility for disability income, workers compensation income, or other benefits related to health or a medical condition that is relied on as a source of repayment; or (D) The identity of creditors to whom outstanding medical debts are owed in connection with an application for credit, including but not limited to, a transaction involving the consolidation of medical debts. (ii) Examples of uses of medical information consistent with the exception. (A) A consumer includes on an application for credit information about two $20,000 debts. One debt is to a hospital, the other debt is to a retailer. The creditor contacts the hospital and the retailer to verify the amount and payment status of the debts. The creditor learns that both debts are more than 90 days past due. Any two debts of this size that are more than 90 days past due would disqualify the consumer under the creditor's established underwriting criteria. The creditor denies the application on the basis that the consumer has a poor repayment history on outstanding debts. The creditor has used medical information in a manner and to an extent no less favorable than it would use comparable non-medical information. (B) A consumer indicates on an application for a $200,000 mortgage loan that she receives $15,000 in long-term disability income each year from her former employer and has no other income. Annual income of $15,000, regardless of source, would not be sufficient to support the requested amount of credit. The creditor denies the application on the basis that the projected debt-to-income ratio of the consumer does not meet the creditor's underwriting criteria. The creditor has used medical information in a manner and to an extent that is no less favorable than it would use comparable non-medical information. (C) A consumer includes on an application for a $10,000 home equity loan that he has a $50,000 debt to a medical facility that specializes in treating a potentially terminal disease. The creditor contacts the medical facility to verify the debt and obtain the repayment history and current status of the loan. The creditor learns that the debt is current. The applicant meets the income and other requirements of the creditor's underwriting guidelines. The creditor grants the application. The creditor has used medical information in accordance with the exception. (iii) Examples of uses of medical information inconsistent with the exception. (A) A consumer applies for $25,000 of credit and includes on the application information about a $50,000 debt to a hospital. The creditor contacts the hospital to verify the amount and payment status of the debt, and learns that the debt is current and that the consumer has no delinquencies in her repayment history. If the existing debt were instead owed to a retail department store, the creditor would approve the application and extend credit based on the amount and repayment history of the outstanding debt. The creditor, however, denies the application because the consumer is indebted to a hospital. The creditor has used medical information, here the identity of the medical creditor, in a manner and to an extent that is less favorable than it would use comparable non-medical information. (B) A consumer meets with a loan officer of a creditor to apply for a mortgage loan. While filling out the loan application, the consumer informs the loan officer orally that she has a potentially

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						terminal disease. The consumer meets the creditor's established requirements for the requested mortgage loan. The loan officer recommends to the credit committee that the consumer be denied credit because the consumer has that disease. The credit committee follows the loan officer's recommendation and denies the application because the consumer has a potentially terminal disease. The creditor has used medical information in a manner inconsistent with the exception by taking into account the consumer's physical, mental, or behavioral health, condition, or history, type of treatment, or prognosis as part of a determination of eligibility or continued eligibility for credit. (C) A consumer who has an apparent medical condition, such as a consumer who uses a wheelchair or an oxygen tank, meets with a loan officer to apply for a home equity loan. The consumer meets the creditor's established requirements for the requested home equity loan and the creditor typically does not require consumers to obtain a debt cancellation contract, debt suspension agreement, or credit insurance product in connection with such loans. However, based on the consumer's apparent medical condition, the loan officer recommends to the credit committee that credit be extended to the consumer only if the consumer obtains a debt cancellation contract, debt suspension agreement, or credit insurance product from a nonaffiliated third party. The credit committee agrees with the loan officer's from a nonaffiliated third party recommendation. The loan officer informs the consumer that the consumer must obtain a debt cancellation contract, debt suspension agreement, or credit insurance product from a nonaffiliated third party to qualify for the loan. The consumer obtains one of these products and the creditor approves the loan. The creditor has used medical information in a manner inconsistent with the exception by taking into account the consumer's physical, mental, or behavioral health, condition, or history, type of treatment, or prognosis in setting conditions on the consumer's eligibility for credit. (e) Specific exceptions for obtaining and using medical information—(1) In general. A creditor may obtain and use medical information pertaining to a consumer in connection with any determination of the consumer's eligibility, or continued eligibility, for credit: (i) To determine whether the use of a power of attorney or legal representative that is triggered by a medical event or condition is necessary and appropriate or whether the consumer has the legal capacity to contract when a person seeks to exercise a power of attorney or act as legal representative for a consumer based on an asserted medical event or condition; (ii) To comply with applicable requirements of local, state, or Federal laws; (iii) To determine, at the consumer's request, whether the consumer qualifies for a legally permissible special credit program or credit-related assistance program that is: (A) Designed to meet the special needs of consumers with medical conditions; and (B) Established and administered pursuant to a written plan that: (1) Identifies the class of persons that the program is designed to benefit; and (2) Sets forth the procedures and standards for extending credit or providing other credit-related assistance under the program. (iv) To the extent necessary for purposes of fraud prevention or detection; (v) In the case of credit for the purpose of financing medical products or services, to determine and verify the medical purpose of a loan and the use of proceeds; (vi) Consistent with safe and sound practices, if the consumer or the consumer's legal representative specifically requests that the creditor use medical information in determining the consumer's eligibility, or continued eligibility, for credit, to accommodate the consumer's particular circumstances, and such request is documented by the creditor; (vii) Consistent with safe and sound practices, to determine whether the provisions of a forbearance practice or program that is triggered by a medical condition or event apply to a consumer; (viii) To determine the consumer's eligibility for, the triggering of, or the reactivation of a debt cancellation contract or debt suspension agreement if a medical condition or event is a triggering event for the provision of benefits under the contract or agreement; or (ix) To determine the consumer's eligibility for, the triggering of, or the reactivation of a credit insurance product if a medical condition or event is a triggering event for the provision of benefits under the product. (2) Example of determining eligibility for a special credit program or credit assistance program. A not-for profit organization establishes a credit assistance program pursuant to a written plan that is designed to assist disabled veterans in purchasing homes by subsidizing the down payment for the home purchase mortgage loans of qualifying veterans. The organization works through mortgage lenders and requires mortgage lenders to obtain medical information about the disability of any consumer that seeks to qualify for the program, use that information to verify the consumer's eligibility for the program, and forward that information to the organization. A consumer who is a veteran applies to a creditor for a home purchase mortgage loan. The creditor informs the consumer about the credit assistance program for disabled veterans and the consumer seeks to qualify for the program. Assuming that the program complies with all applicable law, including applicable fair lending laws, the creditor may obtain and use medical information about the medical condition and disability, if any, of the consumer to determine whether the consumer qualifies for the credit assistance program. (3) Examples of verifying the medical purpose of the loan or the use of proceeds. (i) If a consumer applies for $10,000 of credit for the purpose of financing vision correction surgery, the creditor may verify with the surgeon that the procedure will be performed. If the surgeon reports that surgery will not be performed on the consumer, the creditor may use that medical information to deny the consumer's application for credit, because the loan would not be used for the stated purpose. (ii) If a consumer applies for $10,000 of credit for the purpose of financing cosmetic surgery, the creditor may confirm the cost of the procedure with the surgeon. If the surgeon reports that the cost of the procedure is $5,000, the creditor may use that medical information to offer the consumer only $5,000 of credit. (iii) A creditor has an established medical loan program for financing particular elective surgical procedures. The creditor receives a loan application from a consumer requesting $10,000 of credit under the established loan program for an elective surgical procedure. The consumer indicates on the application that the purpose of the loan is to finance an elective surgical procedure not eligible for funding under the guidelines of the established loan program. The creditor may deny the consumer's application because the purpose of the loan is not for a particular procedure funded by the established loan program. (4) Examples of obtaining and using medical information at the request of the consumer. (i) If a consumer applies for a loan and specifically requests that the creditor consider the consumer's medical disability at the relevant time as an explanation for adverse payment history information in his credit report, the creditor may consider such medical information in evaluating the consumer's willingness and ability to repay the requested loan to accommodate the consumer's particular circumstances, consistent with safe and sound practices. The creditor may also decline to consider such medical information to accommodate the consumer, but may evaluate the consumer's application in accordance with its otherwise applicable underwriting criteria. The creditor may not deny the consumer's application or otherwise treat the consumer less favorably because the consumer specifically requested a medical accommodation, if the creditor would have extended the credit or treated the consumer more favorably under the creditor's otherwise applicable underwriting criteria. (ii) If a consumer applies for a loan by telephone and explains that his income has been and will continue to be interrupted on account of a medical condition and that he expects to repay the loan by liquidating assets, the creditor may, but is not required to, evaluate the application using the sale of assets as the primary source of repayment, consistent with safe and sound practices, provided that the creditor documents the consumer's request by recording the oral conversation or making a notation of the request in the consumer's file. (iii) If a consumer applies for a loan and the application form provides a space where the consumer may provide any other information or special circumstances, whether medical or non-medical, that the consumer would like the creditor to consider in evaluating the consumer's application, the creditor may use medical information provided by the consumer in that space on that application to accommodate the consumer's application for credit, consistent with safe and sound practices, or may disregard that information. (iv) If a consumer specifically requests that the creditor use medical information in determining the consumer's eligibility, or continued eligibility, for credit and provides the creditor with medical information for that purpose, and the creditor determines that it needs additional information regarding the consumer's circumstances, the creditor may request, obtain, and use additional medical information about the consumer as necessary to verify the information provided by the consumer or to determine whether to make an accommodation for the consumer. The consumer may decline to provide additional information, withdraw the request for an accommodation, and have the application considered under the creditor's otherwise applicable underwriting criteria. (v) If a consumer completes and signs a credit application that is not for medical purpose credit and the application contains boilerplate language that routinely requests medical information from the consumer or that indicates that by applying for credit the consumer authorizes or consents to the creditor obtaining and using medical information in connection with a determination of the consumer's eligibility, or continued eligibility, for credit, the consumer has not specifically requested that the creditor obtain and use medical information to accommodate the consumer's particular circumstances. (5) Example of a forbearance

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						practice or program. After an appropriate safety and soundness review, a creditor institutes a program that allows consumers who are or will be hospitalized to defer payments as needed for up to three months, without penalty, if the credit account has been open for more than one year and has not previously been in default, and the consumer provides confirming documentation at an appropriate time. A consumer is hospitalized and does not pay her bill for a particular month. This consumer has had a credit account with the creditor for more than one year and has not previously been in default. The creditor attempts to contact the consumer and speaks with the consumer's adult child, who is not the consumer's legal representative. The adult child informs the creditor that the consumer is hospitalized and is unable to pay the bill at that time. The creditor defers payments for up to three months, without penalty, for the hospitalized consumer and sends the consumer a letter confirming this practice and the date on which the next payment will be due. The creditor has obtained and used medical information to determine whether the provisions of a medically-triggered forbearance practice or program to a consumer.
178		.31 – Limits on re-disclosure of information.		X		§ 717.31 Limits on re-disclosure of information. (a) Scope. This section applies to Federal credit unions. (b) Limits on re-disclosure. If a Federal credit union receives medical information about a consumer from a consumer reporting agency or its affiliate, the person must not disclose that information to any other person, except as necessary to carry out the purpose for which the information was initially disclosed, or as otherwise permitted by statute, regulation, or order.
179		.32- Sharing medical information with affiliates.		X		§ 717.32 Sharing medical information with affiliates. (a) Scope. This section applies to Federal credit unions. (b) In general. The exclusions from the term ''consumer report'' in section 603(d)(2) of the Act that allow the sharing of information with affiliates do not apply if a Federal credit union communicates to an affiliate: (1) Medical information; (2) An individualized list or description based on the payment transactions of the consumer for medical products or services; or (3) An aggregate list of identified consumers based on payment transactions for medical products or services. (c) Exceptions. A Federal credit union may rely on the exclusions from the term ''consumer report'' in section 603(d)(2) of the Act to communicate the information in paragraph (b) to an affiliate: (1) In connection with the business of insurance or annuities (including the activities described in section 18B of the model Privacy of Consumer Financial and Health Information Regulation issued by the National Association of Insurance Commissioners, as in effect on January 1, 2003); (2) For any purpose permitted without authorization under the regulations promulgated by the Department of Health and Human Services pursuant to the Health Insurance Portability and Accountability Act of 1996 (HIPAA); (3) For any purpose referred to in section 1179 of HIPAA; (4) For any purpose described in section 502(e) of the Gramm-Leach-Bliley Act; (5) In connection with a determination of the consumer's eligibility, or continued eligibility, for credit consistent with § 717.30; or (6) As otherwise permitted by order of the NCUA.
180	**Subpart E – Duties of Furnishers of Information.**	**.40 – Scope**				§ 717.40 Scope. This subpart applies to a federal credit union that furnishes information to a consumer reporting agency.
181		.41 – Definitions				§ 717.41 Definitions. For purposes of this subpart and Appendix E of this part, the following definitions apply: (a) Accuracy means that information that a furnisher provides to a consumer reporting agency about an account or other relationship with the consumer correctly: (1) Reflects the terms of and liability for the account or other relationship; (2) Reflects the consumer's performance and other conduct with respect to the account or other relationship; and (3) Identifies the appropriate consumer. (b) Direct dispute means a dispute submitted directly to a furnisher (including a furnisher that is a debt collector) by a consumer concerning the accuracy of any information contained in a consumer report and pertaining to an account or other relationship that the furnisher has or had with the consumer.(c) Furnisher means an entity that furnishes information relating to consumers to one or more consumer reporting agencies for inclusion in a consumer report. An entity is not a furnisher when it: (1) Provides information to a consumer reporting agency solely to obtain a consumer report in accordance with sections 604(a) and (f) of the Fair Credit Reporting Act; (2) Is acting as a "consumer reporting agency" as defined in section 603(f) of the Fair Credit Reporting Act; (3) Is a consumer to whom the furnished information pertains; or (4) Is a neighbor, friend, or associate of the consumer, or another individual with whom the consumer is acquainted or who may have knowledge about the consumer, and who provides information about the consumer's character, general reputation, personal characteristics, or mode of living in response to a specific request from a consumer reporting agency. (d) Identity theft has the same meaning as in 16 CFR 603.2(a). (e) Integrity means that information that a furnisher provides to a consumer reporting agency about an account or other relationship with the consumer:(1) Is substantiated by the furnisher's records at the time it is furnished; (2) Is furnished in a form and manner that is designed to minimize the likelihood that the information may be incorrectly reflected in a consumer report; and (3) Includes the information in the furnisher's possession about the account or other relationship that the NCUA has: (i) Determined that the absence of which would likely be materially misleading in evaluating a consumer's creditworthiness, credit standing, credit capacity, character, general reputation, personal characteristics, or mode of living; and (ii) Listed in section I.(b)(2)(iii) of Appendix E of this part.
182		.42 – Reasonable policies and procedures concerning the accuracy and integrity of furnished information.		X		§ 717.42 Reasonable policies and procedures concerning the accuracy and integrity of furnished information. (a) Policies and procedures. Each furnisher must establish and implement reasonable written policies and procedures regarding the accuracy and integrity of the information relating to consumers that it furnishes to a consumer reporting agency. The policies and procedures must be appropriate to the nature, size, complexity, and scope of each furnisher's activities. (b) Guidelines. Each furnisher must consider the guidelines in Appendix E of this part in developing its policies and procedures required by this section, and incorporate those guidelines that are appropriate. (c) Reviewing and updating policies and procedures. Each furnisher must review its policies and procedures required by this section periodically and update them as necessary to ensure their continued effectiveness.
183		.43 – Direct Disputes		X		§ 717.43 Direct disputes. (a) General rule. Except as otherwise provided in this section, a furnisher must conduct a reasonable investigation of a direct dispute if it relates to: (1) The consumer's liability for a credit account or other debt with the furnisher, such as direct disputes relating to whether there is or has been identity theft or fraud against the consumer, whether there is individual or joint liability on an account, or whether the consumer is an authorized user of a credit account; (2) The terms of a credit account or other debt with the furnisher, such as direct disputes relating to the type of account, principal balance, scheduled payment amount on an account, or the amount of the credit limit on an open end account; (3) The consumer's performance or other conduct concerning an account or other relationship with the furnisher, such as direct disputes relating to the current payment status, high balance, date a payment was made, the amount of a payment made, or the date an account was opened or closed; or (4) Any other information contained in a consumer report regarding an account or other relationship with the furnisher that bears on the consumer's creditworthiness, credit standing, credit capacity, character, general reputation, personal characteristics, or mode of living. (b) Exceptions. The requirements of paragraph (a) of this section do not apply to a furnisher if: (1) The direct dispute relates to: (i) The consumer's identifying information (other than a direct dispute relating to a consumer's liability for a credit account or other debt with the furnisher, as provided in paragraph (a)(1) of this section) such as name(s), date of birth, Social Security number, telephone number(s), or address(es); (ii) The identity of past or present employers; (iii) Inquiries or requests for a consumer report; (iv) Information derived from public records, such as judgments,

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						bankruptcies, liens, and other legal matters (unless provided by a furnisher with an account or other relationship with the consumer); (v) Information related to fraud alerts or active duty alerts; or (vi) Information provided to a consumer reporting agency by another furnisher; or (2) The furnisher has a reasonable belief that the direct dispute is submitted by, is prepared on behalf of the consumer by, or is submitted on a form supplied to the consumer by, a credit repair organization, as defined in 15 U.S.C. 1679a(3), or an entity that would be a credit repair organization, but for 15 U.S.C. 1679a(3)(B)(i). (c) Direct dispute address. A furnisher is required to investigate a direct dispute only if a consumer submits a dispute notice to the furnisher at: (1) The address of a furnisher provided by a furnisher and set forth on a consumer report relating to the consumer; (2) An address clearly and conspicuously specified by the furnisher for submitting direct disputes that is provided to the consumer in writing or electronically (if the consumer has agreed to the electronic delivery of information from the furnisher); or (3) Any business address of the furnisher if the furnisher has not so specified and provided an address for submitting direct disputes under paragraphs (c)(1) or (2) of this section. (d) Direct dispute notice contents. A dispute notice must include: (1) Sufficient information to identify the account or other relationship that is in dispute, such as an account number and the name, address, and telephone number of the consumer, if applicable; (2) The specific information that the consumer is disputing and an explanation of the basis for the dispute; and (3) All supporting documentation or other information reasonably required by the furnisher to substantiate the basis of the dispute. This documentation may include, for example: a copy of the relevant portion of the consumer report that contains the allegedly inaccurate information; a police report; a fraud or identity theft affidavit; a court order; or account statements. (e) Duty of furnisher after receiving a direct dispute notice. After receiving a dispute notice from a consumer pursuant to paragraphs (c) and (d) of this section, the furnisher must: (1) Conduct a reasonable investigation with respect to the disputed information; (2) Review all relevant information provided by the consumer with the dispute notice; (3) Complete its investigation of the dispute and report the results of the investigation to the consumer before the expiration of the period under section 611(a)(1) of the Fair Credit Reporting Act (15 U.S.C. 1681i(a)(1)) within which a consumer reporting agency would be required to complete its action if the consumer had elected to dispute the information under that section; and (4) If the investigation finds that the information reported was inaccurate, promptly notify each consumer reporting agency to which the furnisher provided inaccurate information of that determination and provide to the consumer reporting agency any correction to that information that is necessary to make the information provided by the furnisher accurate. (f) Frivolous or irrelevant disputes. (1) A furnisher is not required to investigate a direct dispute if the furnisher has reasonably determined that the dispute is frivolous or irrelevant. A dispute qualifies as frivolous or irrelevant if: (i) The consumer did not provide sufficient information to investigate the disputed information as required by paragraph (d) of this section; (ii) The direct dispute is substantially the same as a dispute previously submitted by or on behalf of the consumer, either directly to the furnisher or through a consumer reporting agency, with respect to which the furnisher has already satisfied the applicable requirements of the Act or this section; provided, however, that a direct dispute is not substantially the same as a dispute previously submitted if the dispute includes information listed in paragraph (d) of this section that had not previously been provided to the furnisher; or (iii) The furnisher is not required to investigate the direct dispute because one or more of the exceptions listed in paragraph (b) of this section applies. (2) Notice of determination. Upon making a determination that a dispute is frivolous or irrelevant, the furnisher must notify the consumer of the determination not later than five business days after making the determination, by mail or, if authorized by the consumer for that purpose, by any other means available to the furnisher. (3) Contents of notice of determination that a dispute is frivolous or irrelevant. A notice of determination that a dispute is frivolous or irrelevant must include the reasons for such determination and identify any information required to investigate the disputed information, which notice may consist of a standardized form describing the general nature of such information.
184	Subparts F-H	Reserved				
185	**Subpart I – Duties of Users of Consumer Reports Regarding Address Discrepancies and Records Disposal**	**.80-.81 Reserved**				
186		.82 – Duties of users regarding address discrepancies.		X		§ 717.82 Duties of users regarding address discrepancies. (a) Scope. This section applies to a user of consumer reports (user) that receives a notice of address discrepancy from a consumer reporting agency, and that is federal credit union. (b) Definition. For purposes of this section, a notice of address discrepancy means a notice sent to a user by a consumer reporting agency pursuant to 15 U.S.C. 1681c(h)(1), that informs the user of a substantial difference between the address for the consumer that the user provided to request the consumer report and the address(es) in the agency's file for the consumer. (c) Reasonable belief. (1) Requirement to form a reasonable belief. A user must develop and implement reasonable policies and procedures designed to enable the user to form a reasonable belief that a consumer report relates to the consumer about whom it has requested the report, when the user receives a notice of address discrepancy. (2) Examples of reasonable policies and procedures. (i) Comparing the information in the consumer report provided by the consumer reporting agency with information the user: (A) Obtains and uses to verify the consumer's identity in accordance with the requirements of the Customer Information Program (CIP) rules implementing 31 U.S.C. 5318(l) (31 CFR 103.121); (B) Maintains in its own records, such as applications, change of address notifications, other member account records, or retained CIP documentation; or (C) Obtains from third-party sources; or (ii) Verifying the information in the consumer report provided by the consumer reporting agency with the consumer. (d) Consumer's address—(1) Requirement to furnish consumer's address to a consumer reporting agency. A user must develop and implement reasonable policies and procedures for furnishing an address for the consumer that the user has reasonably confirmed is accurate to the consumer reporting agency from whom it received the notice of address discrepancy when the user: (i) Can form a reasonable belief that the consumer report relates to the consumer about whom the user requested the report; (ii) Establishes a continuing relationship with the consumer; and (iii) Regularly and in the ordinary course of business furnishes information to the consumer reporting agency from which the notice of address discrepancy relating to the consumer was obtained. (2) Examples of confirmation methods. The user may reasonably confirm an address is accurate by: (i) Verifying the address with the consumer about whom it has requested the report; (ii) Reviewing its own records to verify the address of the consumer; (iii) Verifying the address through third-party sources; or (iv) Using other reasonable means. (3) Timing. The policies and procedures developed in accordance with paragraph (d)(1) of this section must provide that the user will furnish the consumer's address that the user has reasonably confirmed is accurate to the consumer reporting agency as part of the information it regularly furnishes for the reporting period in which it establishes a relationship with the consumer.

#	NCUA Regulation	Part	Insurance Regulatory Related	Non-Insurance and Consumer Regulatory Related	Description	Rule/Regulation
187		.83 – Disposal of consumer information		X		§ 717.83 Disposal of consumer information. (a) In general. You must properly dispose of any consumer information that you maintain or otherwise possess in a manner consistent with the Guidelines for Safeguarding Member Information, in appendix A to part 748 of this chapter. (b) Examples. Appropriate measures to properly dispose of consumer information include the following examples. These examples are illustrative only and are not exclusive or exhaustive methods for complying with this section. (1) Burning, pulverizing, or shredding papers containing consumer information so that the information cannot practicably be read or reconstructed. (2) Destroying or erasing electronic media containing consumer information so that the information cannot practicably be read or reconstructed. (c) Rule of construction. This section does not: (1) Require you to maintain or destroy any record pertaining to a consumer that is not imposed under any other law; or (2) Alter or affect any requirement imposed under any other provision of law to maintain or destroy such a record. (d) Definitions. As used in this section: (1) Consumer information means any record about an individual, whether in paper, electronic, or other form, that is a consumer report or is derived from a consumer report and that is maintained or otherwise possessed by or on behalf of the credit union for a business purpose. Consumer information also means a compilation of such records. The term does not include any record that does not identify an individual. (i) Consumer information includes: (A) A consumer report that you obtain; (B) Information from a consumer report that you obtain from your affiliate after the consumer has been given a notice and has elected not to opt out of that sharing; (C) Information from a consumer report that you obtain about an individual who applies for but does not receive a loan, including any loan sought by an individual for a business purpose; (D) Information from a consumer report that you obtain about an individual who guarantees a loan (including a loan to a business entity); or (E) Information from a consumer report that you obtain about an employee or prospective employee. (ii) Consumer information does not include: (A) Aggregate information, such as the mean credit score, derived from a group of consumer reports; or (B) Blind data, such as payment history on accounts that are not personally identifiable, you use for developing credit scoring models or for other purposes. (2) Consumer report has the same meaning as set forth in the Fair Credit Reporting Act, 15 U.S.C. 1681a(d). The meaning of consumer report is broad and subject to various definitions, conditions and exceptions in the Fair Credit Reporting Act. It includes written or oral communications from a consumer reporting agency to a third party of information used or collected for use in establishing eligibility for credit or insurance used primarily for personal, family or household purposes, and eligibility for employment purposes. Examples include credit reports, bad check lists, and tenant screening reports.
188		.84 -.89 Reserved				
189		.90 -Duties regarding the detection, prevention, and mitigation of identity theft.		X		§ 717.90 Duties regarding the detection, prevention, and mitigation of identity theft. (a) Scope. This section applies to a financial institution or creditor that is a federal credit union. (b) Definitions. For purposes of this section and Appendix J, the following definitions apply: (1) Account means a continuing relationship established by a person with a federal credit union to obtain a product or service for personal, family, household or business purposes. Account includes: (i) An extension of credit, such as the purchase of property or services involving a deferred payment; and (ii) A share or deposit account. (2) The term board of directors refers to a federal credit union's board of directors. (3) Covered account means: (i) An account that a federal credit union offers or maintains, primarily for personal, family, or household purposes, that involves or is designed to permit multiple payments or transactions, such as a credit card account, mortgage loan, automobile loan, checking account, or share account; and (ii) Any other account that the federal credit union offers or maintains for which there is a reasonably foreseeable risk to members or to the safety and soundness of the federal credit union from identity theft, including financial, operational, compliance, reputation, or litigation risks. (4) Credit has the same meaning as in 15 U.S.C. 1681a(r)(5). (5) Creditor has the same meaning as in 15 U.S.C. 1681a(r)(5). (6) Customer means a member that has a covered account with a federal credit union. (7) Financial institution has the same meaning as in 15 U.S.C. 1681a(t). (8) Identity theft has the same meaning as in 16 CFR 603.2(a). (9) Red Flag means a pattern, practice, or specific activity that indicates the possible existence of identity theft. (10) Service provider means a person that provides a service directly to the federal credit union. (c) Periodic Identification of Covered Accounts. Each federal credit union must periodically determine whether it offers or maintains covered accounts. As a part of this determination, a federal credit union must conduct a risk assessment to determine whether it offers or maintains covered accounts described in paragraph (b)(3)(ii) of this section, taking into consideration: (1) The methods it provides to open its accounts; (2) The methods it provides to access its accounts; and (3) Its previous experiences with identity theft. (d) Establishment of an Identity Theft Prevention Program. (1) Program requirement. Each federal credit union that offers or maintains one or more covered accounts must develop and implement a written Identity Theft Prevention Program (Program) that is designed to detect, prevent, and mitigate identity theft in connection with the opening of a covered account or any existing covered account. The Program must be appropriate to the size and complexity of the federal credit union and the nature and scope of its activities. (2) Elements of the Program. The Program must include reasonable policies and procedures to: (i) Identify relevant Red Flags for the covered accounts that the federal credit union offers or maintains, and incorporate those Red Flags into its Program; (ii) Detect Red Flags that have been incorporated into the Program of the federal credit union; (iii) Respond appropriately to any Red Flags that are detected pursuant to paragraph (d)(2)(ii) of this section to prevent and mitigate identity theft; and (iv) Ensure the Program (including the Red Flags determined to be relevant) is updated periodically, to reflect changes in risks to members and to the safety and soundness of the federal credit union from identity theft. (e) Administration of the Program. Each federal credit union that is required to implement a Program must provide for the continued administration of the Program and must: (1) Obtain approval of the initial written Program from either its board of directors or an appropriate committee of the board of directors; (2) Involve the board of directors, an appropriate committee thereof, or a designated employee at the level of senior management in the oversight, development, implementation and administration of the Program; (3) Train staff, as necessary, to effectively implement the Program; and (4) Exercise appropriate and effective oversight of service provider arrangements. (f) Guidelines. Each federal credit union that is required to implement a Program must consider the guidelines in Appendix J of this part and include in its Program those guidelines that are appropriate.
190		.91 – Duties of card issuers regarding changes of address.		X		§ 717.91 Duties of card issuers regarding changes of address. (a) Scope. This section applies to an issuer of a debit or credit card (card issuer) that is a federal credit union. (b) Definitions. For purposes of this section: (1) Cardholder means a member who has been issued a credit or debit card. (2) Clear and conspicuous means reasonably understandable and designed to call attention to the nature and significance of the information presented. (c) Address validation requirements. A card issuer must establish and implement reasonable policies and procedures to assess the validity of a change of address if it receives notification of a change of address for a member's debit or credit card account and, within a short period of time afterwards (during at least the first 30 days after it receives such notification), the card issuer receives a request for an additional or replacement card for the same account. Under these circumstances, the card issuer may not issue an additional or replacement card, until, in accordance with its reasonable policies and procedures and for the purpose of assessing the validity of the change of address, the card issuer: (1)(i) Notifies the cardholder of the request: (A) At the cardholder's former address; or (B) By any other means of communication that the card issuer and the cardholder have previously agreed to use; and (ii) Provides to the cardholder a reasonable means of promptly reporting incorrect address changes; or (2) Otherwise assesses the validity of the change of address in accordance with the policies and procedures the card issuer has established pursuant to § 717.90 of this part. (d) Alternative timing of address validation. A card issuer may satisfy the requirements of paragraph (c) of this section if it validates an address pursuant to the methods in paragraph (c)(1) or (c)(2) of this section when it receives an address change notification, before it receives a request for an additional or replacement card. (e) Form of notice. Any written or electronic notice that the card issuer provides under this paragraph must be clear and conspicuous and provided separately from its regular correspondence with the cardholder.

#	NCUA Regulation	Part	Insurance Regulatory Related	Non-Insurance and Consumer Regulatory Related	Description	Rule/Regulation
191	**§ 722 – Appraisals**	**.1 – Authority, Scope and Purpose.**			**This entire section of NCUAs regulations establishes rules for obtaining appraisals on collateral securing financial obligations of members. The compliance or non-compliance with this section could have a direct or indirect impact on the financial standing of the credit union.**	§ 722.1 Authority, purpose, and scope. (a) Authority. Part 722 is issued by the National Credit Union Administration (‘‘NCUA’’) under Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (‘‘FIRREA’’) (Pub. L. No. 101–73, 103 Stat. 183, 1989) and 12 U.S.C. 1757 and 1766. (b) Purpose and scope. (1) Title XI provides protection for federal financial and public policy interests in real estate-related transactions by requiring real estate appraisals used in connection with federally related transactions to be performed in writing, in accordance with uniform standards, by appraisers whose competency has been demonstrated and whose professional conduct will be subject to effective supervision. This part implements the requirements of Title XI and applies to all federally related transactions entered into by the NCUA or by federally insured credit unions (‘‘regulated institutions’’). (2) This part: (i) identifies which real estate-related financial transactions require the services of an appraiser; (ii) prescribes which categories of federally related transactions shall be appraised by a state-certified appraiser and which by a state-licensed appraiser; and (iii) prescribes minimum standards for the performance of real estate appraisals in connection with federally related transactions under the jurisdiction of the NCUA.
192		.2 – Definitions				§ 722.2 Definitions. (a) Appraisal means a written statement independently and impartially prepared by a qualified appraiser setting forth an opinion as to the market value of an adequately described property as of a specific date(s), supported by the presentation and analysis of relevant market information. (b) Appraisal Foundation means the Appraisal Foundation established on November 30, 1987, as a not-for-profit corporation under the laws of Illinois.(c) Appraisal Subcommittee means the Appraisal Subcommittee of the Federal Financial Institutions Examination Council. (d) Complex 1-to-4 family residential property appraisal means one in which the property to be appraised, the form of ownership, or market conditions are atypical. (e) Federally related transaction means any real estate-related financial transaction entered into on or after August 9, 1990 that:(1) The NCUA, or any federally insured credit union, engages in or contracts for; and (2) Requires the services of an appraiser.(f) Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) Buyer and seller are typically motivated; (2) Both parties are well informed or well advised, and acting in what they consider their own best interests; (3) A reasonable time is allowed for exposure in the open market; (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (g) Real estate or real property means an identified parcel or tract of land, including easements, rights of way, undivided or future interests and similar rights in a parcel or tract of land, but does not include mineral rights, timber rights, and growing crops, water rights and similar interests severable from the land when the transaction does not involve the associated parcel or tract of land. (h) Real estate-related financial transaction means any transaction involving: (1) The sale, lease, purchase, investment in or exchange of real property, including interests in property, or the financing thereof; or (2) The befinancing of real property or interests in real property; or (3) The use of real property or interests in property as security for a loan or investment, including mortgage-backed securities. (i) State-certified appraiser means any individual who has satisfied the requirements for certification in a state or territory whose criteria for certification as a real estate appraiser currently meet the minimum criteria for certification issued by the Appraiser Qualification Board of the Appraisal Foundation. No individual shall be a state certified appraiser unless such individual has achieved a passing grade upon a suitable examination administered by a state or territory that is consistent with and equivalent to the Uniform State Certification Examination issued or endorsed by the Appraiser Qualification Board. In addition, the Appraisal Subcommittee must not have issued a finding that the policies, practices, or procedures of a state or territory are inconsistent with Title XI of FIRREA. The NCUA may, from time to time, impose additional qualification criteria for certified appraisers performing appraisals in connection with federally related transactions within its jurisdiction. (j) State-licensed appraiser means any individual who has satisfied the requirements for licensing in a state or territory where the licensing procedures comply with Title XI of FIRREA and where the Appraisal Subcommittee has not issued a finding that the policies, practices, or procedures of the State or territory are inconsistent with Title XI. The NCUA may, from time to time, impose additional qualification criteria for licensed appraisers performing appraisals in connection with federally related transactions within its jurisdiction. (k) Tract development means a project of five units or more that is constructed or is to be constructed as a single development. (l) Transaction value means: (1) For loans or other extensions of credit, the amount of the loan or extension of credit; and (2) For sales, leases, purchases, and investments in or exchanges of real property, the market value of the real property interest involved; and (3) For the pooling of loans or interests in real property for resale or purchase, the amount of the loan or market value of the real property calculated with respect to each such loan or interest in real property
193		.3 – Appraisals required; transactions requiring a State certified or licensed appraiser.	X			§ 722.3 Appraisals required; transactions requiring a State certified or licensed appraiser. (a) Appraisals required. An appraisal performed by a State certified or licensed appraiser is required for all real estate-related financial transactions except those in which: (1) The transaction value is $250,000 or less; (2) A lien on real property has been taken as collateral through an abundance of caution and where the terms of the transaction as a consequence have not been made more favorable than they would have been in the absence of a lien; (3) A lien on real estate has been taken for purposes other than the real estate’s value; (4) A lease of real estate is entered into, unless the lease is the economic equivalent of a purchase or sale of the leased real estate; (5) The transaction involves an existing extension of credit at the credit union, provided that: (i) There is no advancement of new monies, other than funds necessary to cover reasonable closing costs; and (ii) There has been no obvious and material change in market conditions or physical aspects of the property that threatens the adequacy of the credit union’s real estate collateral protection after the transaction; (6) The transaction involves the purchase, sale, investment in, exchange of, or extension of credit secured by, a loan or interest in a loan, pooled loans, or interests in real property, including mortgage-backed securities, and each loan or interest in a loan, pooled loan, or real property interest met the requirements of this regulation, if applicable, at the time of origination; (7) The transaction is wholly or partially insured or guaranteed by a United States government agency or United States government sponsored agency; (8) The transaction either: (i) Qualifies for sale to a United States government agency or United States government sponsored agency; or (ii) Involves a residential real estate transaction in which the appraisal conforms to the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation appraisal standards applicable to that category of real estate; or (9) The regional director has granted a waiver from the appraisal requirement for a category of loans meeting the definition of a member business loan. (b) Transactions requiring a State-Certified Appraiser. (1) (All transactions of $1,000,000 or more) All federally related transactions having a transaction value of $1,000,000 or more shall require an appraisal prepared by a state-certified appraiser. (2) (Nonresidential transactions) All federally related transactions having a transaction value of more than $250,000, other than those involving appraisals of 1-to- 4 family residential properties, shall require an appraisal prepared by a state-certified appraiser. (3) (Complex residential transactions of $250,000 or more) All complex 1-to-4 family residential property appraisals rendered in connection with federally related transactions shall require a state-certified appraiser if the transaction value is $250,000 or more. A regulated institution may

#	NCUA Regulation	Part	Insurance Regulatory Related	Non-Insurance and Consumer Regulatory Related	Description	Rule/Regulation
						presume that appraisals of 1-to-4 family residential properties are not complex unless the institution has readily available information that a given appraisal will be complex. The regulated institution shall be responsible for making the final determination of whether the appraisal is complex. If, during the course of the appraisal, a licensed appraiser identifies factors that would result in the property, form of ownership, or market conditions being considered atypical, then either: (i) The regulated institution may ask the licensed appraiser to complete the appraisal and have a certified appraiser approve and cosign the appraisal; or (ii) The institution may engage a certified appraiser to complete the appraisal. (c) Transactions requiring either a State-certified or licensed appraiser. All appraisals for federally related transactions not requiring the services of a state-certified appraiser shall be prepared by either a state-certified appraiser or a state-licensed appraiser.(d) Valuation requirement. Secured transactions exempted from appraisal requirements pursuant to paragraphs (a)(1) and (a)(5) of this section and not otherwise exempted from this regulation or fully insured shall be supported by a written estimate of market value, as defined in this regulation, performed by an individual having no direct or indirect interest in the property, and qualified and experienced to perform such estimates of value for the type and amount of credit being considered. (e) Appraisals to address safety and soundness concerns. NCUA reserves the right to require an appraisal under this subpart whenever the agency believes it is necessary to address safety and soundness concerns.§ 722.3 Appraisals required; transactions requiring a State certified or licensed appraiser. (a) Appraisals required. An appraisal performed by a State certified or licensed appraiser is required for all real estate-related financial transactions except those in which: (1) The transaction value is $250,000 or less; (2) A lien on real property has been taken as collateral through an abundance of caution and where the terms of the transaction as a consequence have not been made more favorable than they would have been in the absence of a lien; (3) A lien on real estate has been taken for purposes other than the real estate's value; (4) A lease of real estate is entered into, unless the lease is the economic equivalent of a purchase or sale of the leased real estate; (5) The transaction involves an existing extension of credit at the credit union, provided that: (i) There is no advancement of new monies, other than funds necessary to cover reasonable closing costs; and (ii) There has been no obvious and material change in market conditions or physical aspects of the property that threatens the adequacy of the credit union's real estate collateral protection after the transaction; (6) The transaction involves the purchase, sale, investment in, exchange of, or extension of credit secured by, a loan or interest in a loan, pooled loans, or interests in real property, including mortgage-backed securities, and each loan or interest in a loan, pooled loan, or real property interest met the requirements of this regulation, if applicable, at the time of origination; (7) The transaction is wholly or partially insured or guaranteed by a United States government agency or United States government sponsored agency; (8) The transaction either: (i) Qualifies for sale to a United States government agency or United States government sponsored agency; or (ii) Involves a residential real estate transaction in which the appraisal conforms to the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation appraisal standards applicable to that category of real estate; or (9) The regional director has granted a waiver from the appraisal requirement for a category of loans meeting the definition of a member business loan. (b) Transactions requiring a State-Certified Appraiser. (1) (All transactions of $1,000,000 or more) All federally related transactions having a transaction value of $1,000,000 or more shall require an appraisal prepared by a state-certified appraiser. (2) (Nonresidential transactions) All federally related transactions having a transaction value of more than $250,000, other than those involving appraisals of 1-to- 4 family residential properties, shall require an appraisal prepared by a state-certified appraiser. (3) (Complex residential transactions of $250,000 or more) All complex 1-to-4 family residential property appraisals rendered in connection with federally related transactions shall require a state-certified appraiser if the transaction value is $250,000 or more. A regulated institution may presume that appraisals of 1-to-4 family residential properties are not complex unless the institution has readily available information that a given appraisal will be complex. The regulated institution shall be responsible for making the final determination of whether the appraisal is complex. If, during the course of the appraisal, a licensed appraiser identifies factors that would result in the property, form of ownership, or market conditions being considered atypical, then either: (i) The regulated institution may ask the licensed appraiser to complete the appraisal and have a certified appraiser approve and cosign the appraisal; or (ii) The institution may engage a certified appraiser to complete the appraisal. (c) Transactions requiring either a State-certified or licensed appraiser. All appraisals for federally related transactions not requiring the services of a state-certified appraiser shall be prepared by either a state-certified appraiser or a state-licensed appraiser.(d) Valuation requirement. Secured transactions exempted from appraisal requirements pursuant to paragraphs (a)(1) and (a)(5) of this section and not otherwise exempted from this regulation or fully insured shall be supported by a written estimate of market value, as defined in this regulation, performed by an individual having no direct or indirect interest in the property, and qualified and experienced to perform such estimates of value for the type and amount of credit being considered. (e) Appraisals to address safety and soundness concerns. NCUA reserves the right to require an appraisal under this subpart whenever the agency believes it is necessary to address safety and soundness concerns.
194		.4 – Minimum appraisal standards.	X			§ 722.4 Minimum appraisal standards. For federally related transactions, all appraisals shall, at a minimum: (a) Conform to generally accepted appraisal standards as evidenced by the Uniform Standards of Professional Appraisal Practice (USPAP) promulgated by the Appraisal Standards Board of the Appraisal Foundation, 1029 Vermont Ave., NW, Washington, DC 20005; (b) Be written and contain sufficient information and analysis to support the institution's decision to engage in the transaction; (c) Analyze and report appropriate deductions and discounts for proposed construction or renovation, partially leased buildings, non-market lease terms, and tract developments with unsold units; (d) Be based upon the definition of market value as set forth in §722.2(f); and (e) Be performed by State licensed or certified appraisers in accordance with requirements set forth in this subpart.
195		.5 – Appraiser Independence	X			§ 722.5 Appraiser independence. (a) Staff appraiser. If an appraisal is prepared by a staff appraiser, that appraiser must be independent of the lending, investment, and collection functions and not involved, except as an appraiser, in the federally related transaction, and have no direct or indirect interest, financial or otherwise, in the property. If the only qualified persons available to perform an appraisal are involved in the lending, investment, or collection functions of the credit union, the credit union shall take appropriate steps to ensure that the appraisers exercise independent judgment. Such steps include, but are not limited to, prohibiting an individual from performing an appraisal in connection with federally related transactions in which the appraiser is otherwise involved. (b) Fee Appraisers. (1) If an appraisal is prepared by a fee appraiser, the appraiser shall be engaged directly by the credit union or its agent and have no direct or indirect interest, financial or otherwise, in the property or the transaction. (2) A credit union also may accept an appraisal that was prepared by an appraiser engaged directly by another financial services institution; if: (i) The appraiser has no direct or indirect interest, financial or otherwise, in the property or transaction; and (ii) The credit union determines that the appraisal conforms to the requirement of this regulation and is otherwise acceptable.
196		.6 – Professional association membership; competency.	X			§ 722.6 Professional association membership; competency. (a) Membership in appraisal organization. A state certified appraiser or a state-licensed appraiser may not be excluded from consideration for an assignment for a federally related transaction solely by virtue of membership or lack of membership in any particular appraisal organization. (b) Competency. All staff and fee appraisers performing appraisals in connection with federally related transactions must be state-certified or -licensed as appropriate. However, a state-certified or -licensed appraiser may not be considered competent solely by virtue of being certified or licensed. Any determination of competency shall be based upon the individual's experience and educational background as they relate to the particular appraisal assignment for which he or she is being considered.
197		.7 – Enforcement	X			§ 722.7 Enforcement. Credit unions and institution-affiliated parties, including staff appraisers and fee appraisers, may be subject to removal and/or prohibition orders, cease-and-desist orders, and the imposition of civil money penalties pursuant to section 1786 of the Federal Credit Union Act, or any other applicable law.

#	NCUA Regulation	Part	Insurance Regulatory Related	Non-Insurance and Consumer Regulatory Related	Description	Rule/Regulation
198	**§ 723 – Member Business Loans**	**1. – What is a member business loan?**			**This entire section of NCUAs regulations establishes parameters under which an FCU must act in the creation, implementation and monitoring of a member business lending program, including: underwriting guidelines, loan limitations and loan types. The compliance or non-compliance with this part could impact the financial condition of an FCU.**	§ 723.1 What is a member business loan? (a) General rule. A member business loan includes any loan, line of credit, or letter of credit (including any unfunded commitments) where the borrower uses the proceeds for the following purposes: (1) Commercial; (2) Corporate; (3) Other business investment property or venture; or (4) Agricultural. (b) Exceptions to the general rule. The following are not member business loans: (1) A loan fully secured by a lien on a 1 to 4 family dwelling that is the member's primary residence; (2) A loan fully secured by shares in the credit union making the extension of credit or deposits in other financial institutions; (3) Loan(s) to a member or an associated member which, when the net member business loan balances are added together, are equal to less than $50,000; (4) A loan where a federal or state agency (or its political subdivision) fully insures repayment, or fully guarantees repayment, or provides an advance commitment to purchase in full; or (5) A loan granted by a corporate credit union to another credit union. (c) Loans to credit unions and credit union service organizations. This part does not apply to loans made by federal credit unions to credit unions and credit union service organizations. This part does not apply to loans made by a federally insured, state-chartered credit union to credit unions and credit union service organizations if the credit union's supervisory authority determines that state law grants authority to lend to these entities other than the general authority to grant loans to members. (d) Purchase of member loans and member loan participations. Any interest a credit union obtains in a loan that was made by another lender to the credit union's member is a member business loan, for purposes of this rule and the risk weighting standards of part 702 of this chapter to the same extent as if made directly by the credit union to its member. (e) Purchases of nonmember loans and nonmember loan participations. Any interest a credit union obtains in a nonmember loan, pursuant to § 701.22 or part 742 of this chapter or other authority, is treated the same as a member business loan for purposes of this rule and the risk weighting standards under part 702 of this chapter, except that the effect of such interest on a credit union's aggregate member business loan limit will be as set forth in § 723.16(b) of this part.
199		2.-What are prohibited activities?				§ 723.2 What are the prohibited activities? (a) Who is ineligible to receive a member business loan? You may not grant a member business loan to the following: (1) Your chief executive officer (typically this individual holds the title of President or Treasurer/Manager); (2) Any assistant chief executive officers (e.g., Assistant President, Vice President, or Assistant Treasurer/ Manager); (3) Your chief financial officer (Comptroller); or (4) Any associated member or immediate family member of anyone listed in paragraphs (a) (1) through (3) of this section. (b) Equity agreements/joint ventures. You may not grant a member business loan if any additional income received by the credit union or senior management employees is tied to the profit or sale of the business or commercial endeavor for which the loan is made. (c) Loans to compensated directors. A credit union may not grant a member business loan to a compensated director unless the board of directors approves granting the loan and the compensated director is recused from the decision making process.
200		.3- What are the requirements for construction and development lending?	X			§ 723.3 What are the requirements for construction and development lending? Except as provided in § 723.4 or unless your Regional Director grants a waiver, loans granted for the construction or development of commercial or residential property are subject to the following additional requirements. (a) The aggregate of the net member business loan balances for all construction and development loans must not exceed 15% of net worth. In determining the aggregate balances for purposes of this limitation, a credit union may exclude any loan made to finance the construction of a single-family residence if a prospective homeowner has contracted to purchase the property and may also exclude a loan to finance the construction of one single-family residence per member-borrower or group of associated member-borrowers, irrespective of the existence of a contractual commitment from a prospective homeowner to purchase the property. (b) The borrower must have a minimum of 25% equity interest in the project being financed, the value of which is determined by the market value of the project at the time the loan is made, except that this requirement will not apply in the case of a loan made to finance the construction of a single-family residence if a prospective homeowner has contracted to purchase the property and in the case of one loan to a member-borrower or group of associated member-borrowers to finance the construction of a single-family residence, irrespective of the existence of a contractual commitment from a prospective homeowner to purchase the property. Instead, the collateral requirements of § 723.7 will apply; and (c) The funds may be released only after on-site, written inspections by qualified personnel and according to a preapproved draw schedule and any other conditions as set forth in the loan documentation.
201		.4 – What other regulations apply to member business lending?	X			§ 723.4 What other regulations apply to member business lending? (a) The provisions of § 701.21(a) through (g) and part 702 of this chapter apply to member business loans granted by credit unions to the extent they are consistent with this part. Except as required by part 741 of this chapter, federally insured State-chartered credit unions are not required to comply with the provisions of § 701.21(a) through (g) of this chapter. (b) If a federal credit union makes a member business loan as part of a Small Business Administration guaranteed loan program with loan requirements that are less restrictive than those required by NCUA, then the federal credit union may follow the loan requirements of the relevant Small Business Administration guaranteed loan program to the extent they are consistent with this part. A federally insured State-chartered credit union that is subject to this part and makes a member business loan as part of a Small Business Administration guaranteed loan program with loan requirements that are less restrictive than those required by NCUA may follow the loan requirements of the relevant Small Business Administration guaranteed loan program to the extent they are consistent with this part if its state supervisory authority has determined that the credit union has authority to do so under State law. (c) The collateral and security requirements of § 723.3 and § 723.7 do not apply to member business loans made as part of a Small Business Administration guaranteed loan program.
202		.5 – How do you implement a member business loan program?	X			§ 723.5 How do you implement a member business loan program? (a) Generally. The board of directors must adopt specific business loan policies and review them at least annually. The board must also use the services of an individual with at least two years direct experience with the type of lending the credit union will be engaging in. The experience must provide the credit union sufficient expertise given the complexity and risk exposure of the loans in which the credit union intends to engage. Credit unions do not have to hire staff to meet the requirements of this section but must ensure that the expertise is available. A credit union can meet the experience requirement through various approaches. For example, a credit union can use the services of a credit union service organization (CUSO), an employee of another credit union, an independent contractor, or other third parties. However, the actual decision to grant a loan must reside with the credit union. (b) Conflicts of Interest. Any third party used by a credit union to meet the requirements of paragraph (a) of this section must be independent from the transaction and is prohibited from having a participation in the loan or an interest in the collateral securing the loan that the third party is responsible for reviewing, with the following exceptions: (1) The third party may provide a service to the credit union related to the transaction, such as loan servicing; (2) The third party may provide the requisite experience to the credit union and purchase a loan or a participation interest in a loan originated by the credit union that the third party reviewed; or (3) A credit union may use the services of a CUSO that otherwise meets the requirements of paragraph (a) of this section even though the CUSO is not independent from the transaction, provided the credit union has a controlling financial interest in the CUSO as determined under Generally Accepted Accounting Principles.
203		.6 – What must your member	X			§ 723.6 What must your member business loan policy address? At a minimum, your policy must address the following: (a) The types of business loans you will make; (b) Your trade area; (c) The maximum amount of your assets, in relation to net worth, that you will invest in secured and unsecured business loans; (d) The maximum amount of your assets, in relation to net worth,

#	NCUA Regulation	Part	Insurance Regulatory Related	Non-Insurance and Consumer Regulatory Related	Description	Rule/Regulation
		business loan policy address?				that you will invest in a given category or type of business loan; (e) The maximum amount of your assets, in relation to net worth, that you will loan to any one member or group of associated members, subject to § 723.7(c)(2) and § 723.8; (f) The qualifications and experience of personnel minimum of 2 years involved in making and administering business loans; (g) A requirement to analyze and document the ability of the borrower to repay the loan consistent with appropriate underwriting and due diligence standards, which also addresses the need for periodic financial statements, credit reports, and other data when necessary to analyze future loans and lines of credit, such as, borrower's history and experience, balance sheet, cash flow analysis, income statements, tax data, environmental impact assessment, and comparison with industry averages, depending upon the loan purpose; (h) The collateral requirements must include: (1) Loan-to-value ratios; (2) Determination of value; (3) Determination of ownership; (4) Steps to secure various types of collateral; and (5) How often the credit union will reevaluate the value and marketability of collateral; (i) The interest rates and maturities of business loans; (j) General loan procedures which include: (1) Loan monitoring; (2) Servicing and follow-up; and (3) Collection; (k) Identification of those individuals prohibited from receiving member business loans.
204		.7 – What are the collateral and security requirements?	X			§ 723.7 What are the collateral and security requirements? (a) Except as provided in § 723.4 or unless your Regional Director grants a waiver, all member business loans, except those made under paragraphs (c), (d), and (e) of this section, must be secured by collateral as follows: (1) The maximum loan-to-value ratio for all liens must not exceed 80% unless the value in excess of 80% is covered through private mortgage insurance or equivalent type of insurance, or insured, guaranteed, or subject to advance commitment to purchase by an agency of the federal government, an agency of a state or any of its political subdivisions, but in no case may the ratio exceed 95%; (2) A borrower may not substitute any insurance, guarantee, or advance commitment to purchase by any agency of the federal government, a state or any political subdivision of such state for the collateral requirements of this paragraph. (b) Principals, other than a not for profit organization as defined by the Internal Revenue Service Code (26 U.S.C. 501) or those where the Regional Director grants a waiver, must provide their personal liability and guarantee. Federal credit unions and federally insured state-chartered credit unions that meet RegFlex standards, as determined pursuant to Part 742 of this Chapter, are exempt from this requirement and may make their own determination whether to require the personal liability and guarantee of principals. (c) You may make unsecured member business loans under the following conditions: (1) You are a natural person credit union that is well capitalized as defined by § 702.102(a)(1) of this chapter or you are a corporate credit union that maintains a minimum capital ratio as required by § 704.3(d) of this chapter or a different ratio as permitted under § 704.3(e) of this chapter; (2) The aggregate of the unsecured outstanding member business loans to any one member or group of associated members does not exceed the lesser of $100,000 or 2.5% of your net worth; and (3) The aggregate of all unsecured outstanding member business loans does not exceed 10% of your net worth. (d) You are exempt from the provisions of paragraphs (a), (b), and (c) of this section with respect to credit card line of credit programs offered to non-natural person members that are limited to routine purposes normally made available under those programs. (e) You may make vehicle loans under this part without complying with the loan-to-value ratios in this section, provided that the vehicle is a car, van, pick-up truck, or sports utility vehicle and not part of a fleet of vehicles.
205		.8 – How much may one member or a group of associated members borrow?	X			§ 723.8 How much may one member or a group of associated members borrow? Unless your Regional Director grants a waiver for a higher amount, the aggregate amount of net member business loan balances to any one member or group of associated members must not exceed the greater of: (a) 15% of the credit union's net worth; or (b) $100,000.
206		.9 – Reserved				
207		.10 – What waivers are available?	X			§ 723.10 What waivers are available? You may seek a waiver for a category of loans in any of the following areas: (a) Appraisal requirements under § 722.3; (b) Aggregate construction and development loans limits under § 723.3(a); (c) Minimum borrower equity requirements for construction and development loans under § 723.3(b); (d) Loan-to-value ratio requirements for business loans under § 723.7(a); (e) Requirement for personal liability and guarantee under § 723.7(b); (f) Maximum unsecured business loans to one member or group of associated members under § 723.7(c)(2); (g) Maximum aggregate unsecured member business loan limit under §723.7(c)(3); and (h) Maximum aggregate net member business loan balance to any one member or group of associated members under § 723.8.
208		.11- How do you obtain a waiver?	X			§ 723.11 How do you obtain a waiver? To obtain a waiver, a federal credit union must submit a request to the Regional Director (a corporate federal credit union submits the waiver request to the Director of the Office of Corporate Credit Unions). A state chartered federally insured credit union must submit the request to its state supervisory authority. If the state supervisory authority approves the request, the state regulator will forward the request to the Regional Director (or if appropriate the Director of the Office of Corporate Credit Unions). A waiver is not effective until it is approved by the Regional Director (or in the case of a corporate federal credit union the Director of the Office of Corporate Credit Unions). The waiver request must contain the following: (a) A copy of your business lending policy; (b) The higher limit sought (if applicable); (c) An explanation of the need to raise the limit (if applicable); (d) Documentation supporting your ability to manage this activity; and (e) An analysis of the credit union's prior experience making member business loans, including as a minimum: (1) The history of loan losses and loan delinquency; (2) Volume and cyclical or seasonal patterns; (3) Diversification; (4) Concentrations of credit to one borrower or group of associated borrowers in excess of 15% of net worth; (5) Underwriting standards and practices; (6) Types of loans grouped by purpose and collateral; and (7) The qualifications of personnel responsible for underwriting and administering member business loans.
209		.12- what will NCUA do with my waiver request?	X			§ 723.12 What will NCUA do with my waiver request? Your Regional Director (or the Director of the Office of Corporate Credit Unions) will: (a) Review the information you provided in your request; (b) Evaluate the level of risk to your credit union; (c) Consider your credit union's historical CAMEL composite and component ratings when evaluating your request; and (d) Notify you whenever your waiver request is deemed complete. Notify you of the action taken within 45 calendar days of receiving a complete request from the federal credit union or the state supervisory authority. If you do not receive notification within 45 calendar days of the date the complete request was received by the regional office, the credit union may assume approval of the waiver request.
210		.13 – What options are available if the NCUA Regional Director denies my waiver request, or a	X			§ 723.13 What options are available if the NCUA Regional Director denies my waiver request, or a portion of it? You may appeal the Regional Director's (or the Director of the Office of Corporate Credit Unions) decision in writing to the NCUA Board. Your appeal must include all information requested in § 723.11 and why you disagree with your Regional Director's (or the Office of Corporate Credit Union Director's) decision.

#	NCUA Regulation	Part	Insurance Regulatory Related	Non-Insurance and Consumer Regulatory Related	Description	Rule/Regulation
		portion of it?				
211		.14 – .15 – Reserved				
212		.16 – What is the aggregate member business loan limit for a credit union?	X			§ 723.16 What is the aggregate member business loan limit for a credit union? (a) General. The aggregate limit on a credit union's net member business loan balances is the lesser of 1.75 times the credit union's net worth or 12.25% of the credit union's total assets. Loans that are exempt from the definition of member business loans are not counted for the purpose of the aggregate loan limit. (b) Effect of nonmember loans and non-member participations. If a credit union holds any non-member loans or nonmember loan participation interests that would constitute a member business loan if made to a member, those loans will affect the credit union's aggregate limit on net member business loan balances as follows: (1) The total of the credit union's net member business loan balances and the nonmember loan balances must not exceed the lesser of 1.75 times the credit union's net worth or 12.25% of the credit union's total assets, unless the credit union has first received approval from the NCUA regional director. (2) To request approval from the NCUA regional director, a credit union must submit an application that: (i) Includes a current copy of the credit union's member business loan policies; (ii (iii) States the credit union's proposed limit on the total amount of nonmember loans and participation interests that the credit union may acquire if the application is granted; and (iv) Attests that the acquisition of nonmember loans and participations is not being used, in conjunction with one or more other credit unions, to have the effect of trading member business loans that would otherwise exceed the aggregate limit. (3) A federal credit union must submit its request for approval to the regional director (a corporate federal credit union submits its request to the Director of the Office of Corporate Credit Unions). A state chartered federally insured credit union must submit the request to its state supervisory authority. If the state supervisory authority approves the request, the state regulator will forward the application and its decision to the regional director (or if appropriate, the Director of the Office of Corporate Credit Unions). An approved application is not effective until it is approved by the regional director (or in the case of a corporate federal credit union the Director of the Office of Corporate Credit Unions). The regional director will issue a decision within 30 days of receipt of a federal credit union's completed application or within 30 days of receipt of a completed application and the state supervisory authority's approval for a state chartered federally insured credit union.
213		.17 – Are there exceptions to the aggregate loan limit?	X			§ 723.17 Are there any exceptions to the aggregate loan limit? There are three circumstances where a credit union qualifies for an exception from the aggregate limit. Loans that are excepted from the definition of member business loans are not counted for the purpose of the exceptions. The three exceptions are: (a) Credit unions that have a low-income designation or participate in the Community Development Financial Institutions program; (b) Credit unions that were chartered for the purpose of making member business loans and can provide documentary evidence (such evidence includes but is not limited to the original charter, original bylaws, original business plan, original field of membership, board minutes and loan portfolio); (c) Credit unions that have a history of primarily making member business loans, meaning that either member business loans comprise at least 25% of the credit union's outstanding loans (as evidenced in any call report filed between January 1995 and September 1998 or any equivalent documentation including financial statements) or member business loans comprise the largest portion of the credit union's loan portfolio (as evidenced in any call report filed between January 1995 and September 1998 or any equivalent documentation including financial statements). For example, if a credit union makes 23% member business loans, 22% first mortgage loans, 22% new automobile loans, 20% credit card loans, and 13% total other real estate loans, then the credit union meets this exception.
214		.18 – How do I obtain an exception?	X			§ 723.18 How do I obtain an exception? To obtain the exception, a federal credit union must submit documentation to the Regional Director, demonstrating that it meets the criteria of one of the exceptions. A state chartered federally insured credit union must submit documentation to its state supervisory authority. The state supervisory authority will forward its decision to NCUA. The exception does not expire unless revoked by the state supervisory authority for a state chartered federally insured credit union or the Regional Director for a federal credit union. If an exception request is denied for a federal credit union, it may be appealed to the NCUA Board within 60 days of the denial by the Regional Director. Until the NCUA Board acts on the appeal, the credit union can continue to make new member business loans.
215		.19 – What are the recordkeeping requirements?	X			§ 723.19 What are the recordkeeping requirements? You must separately identify member business loans in your records and in the aggregate on your financial reports.
216		.20 – How can a state supervisory authority develop and enforce a member business loan regulation?	X			§ 723.20 How can a state supervisory authority develop and enforce a member business loan regulation? (a) The NCUA Board may exempt federally insured state chartered credit unions in a given state from NCUA's member business loan rule if NCUA approves the state's rule for use for state chartered federally insured credit unions. In making this determination, the Board is guided by safety and soundness considerations and reviews whether the state regulation minimizes the risk and accomplishes the overall objectives of NCUA's member business loan rule in this part. Specifically, the Board will focus its review on: (1) The definition of a member business loan; (2) Loan to one borrower limits; (3) Written loan policies; (4) Collateral and security requirements; (5) Construction and development lending; and (6) Loans to senior management. (b) To receive NCUA's approval of a state's member business loan rule, the state supervisory authority must submit its rule to the NCUA regional office. After reviewing the rule, the region will forward the request to the NCUA Board for a final determination. (c) A state supervisory authority that administers a state member business loans rule, approved by NCUA under §§ 723.20(a) and (b), may rescind its rule without NCUA approval. A state supervisory authority should notify NCUA if it anticipates rescinding its rule to foster regulatory continuity and cooperation.
217		.21 – Definitions				§ 723.21 Definitions. For purposes of this part, the following definitions apply: Associated member is any member with a shared ownership, investment, or other pecuniary interest in a business or commercial endeavor with the borrower. Construction or development loan is a financing arrangement for acquiring property or rights to property, including land or structures, with the intent to convert it to income-producing property such as residential housing for rental or sale; commercial use; industrial use; or similar uses. Construction or development loan includes a financing arrangement for the major renovation or development of property already owned by the borrower that will convert the property to income producing property or convert the use of income producing property to a different use from its use before the major renovation or development or is a major expansion of its current use. Construction or development loan does not include loans to finance maintenance, repairs, or improvements to an existing income producing property that do not change its use. Examples to illustrate when a loan is or is not a construction or development loan follow. Example 1. If a member borrows money to repair a roof on a barn on an existing farming operation, this is a member business loan but is not a construction or development loan. A construction or development loan does not include a loan for routine maintenance of a borrower's existing business or a loan to enhance or expand a borrower's existing business unless those renovations convert the property to a different use or are so major as to be considered the equivalent of converting the use of the property. Example 2. A loan to convert a movie theater into a restaurant is a construction or development loan. A loan to convert a large Victorian home used for residential purposes into a six-room inn also would be a construction or development loan. In both instances, the loans are for the purpose of converting the use of the properties. By contrast, a loan to repair the roof or replace the carpet and wallpaper of an operating inn would not be a construction or development loan as it neither converts the use of the property, nor is so major a renovation to be considered the equivalent of converting the use of the property. Example 3. A loan to expand the parking lot of a small strip shopping center would not be a construction or development loan, but a loan to renovate the

#	NCUA Regulation	Part	Insurance Regulatory Related	Non-Insurance and Consumer Regulatory Related	Description	Rule/Regulation
						small strip shopping center into a mega-mall would be a construction or development loan as it would be viewed as a major renovation that converts the use of the property .Example 4. A hotel with a fair market value of $10 million borrows $1 million to build an exercise facility in the hotel to enhance the property. The loan amount is 10% of the fair market value of the property. This is not a construction or development loan. It is a member business loan to improve or renovate an existing income producing property, but it is not so major a renovation as to be considered the equivalent of converting the use of the property. In another scenario, a hotel with a fair market value of $10 million borrows $5 million to build a luxury health spa on the hotel grounds. The loan amount is 50% of the fair market value of the property. This is a construction or development loan, even if the use of the property has not been converted, as the renovation is so major as to be considered the equivalent of converting the use of the property. Immediate family member is a spouse or other family member living in the same household. Loan-to-value ratio is the aggregate amount of all sums borrowed including outstanding balances plus any unfunded commitment or line of credit from all sources on an item of collateral divided by the market value of the collateral used to secure the loan. Net member business loan balance means the outstanding loan balance plus any unfunded commitments, reduced by any portion of the loan that is secured by shares in the credit union, or by shares or deposits in other financial institutions, or by a lien on the member's primary residence, or insured or guaranteed by any agency of the federal government, a state or any political subdivision of such state, or subject to an advance commitment to purchase by any agency of the federal government, a state or any political subdivision of such state, or sold as a participation interest without recourse and qualifying for true sales accounting under generally accepted accounting principles. Net worth means the retained earnings balance of the credit union at quarter end as determined under generally accepted accounting principles. Retained earnings consists of undivided earnings, regular reserves, and any other appropriations designated by management or regulatory authorities. This means that only undivided earnings and appropriations of undivided earnings are included in net worth. For low-income designated credit unions, net worth also includes secondary capital accounts that are uninsured and subordinate to all other claims, including claims of creditors, shareholders and the NCUSIF. For any credit union, net worth does not include the allowance for loan and lease losses account.
218	**Part 740 – Accuracy of Advertising and Notice of Insured Status***	**§ 740.0 Scope 740-1**				§ 740.0 Scope. This part applies to all federally insured credit unions. It prescribes the requirements for the official sign insured credit unions must display and the requirements with regard to the official advertising statement insured credit unions must include in their advertisements. It requires that all other kinds of advertisements be accurate. It also establishes requirements for advertisements of excess insurance.
219		§ 740.1 Definitions 740				§ 740.1 Definitions. (a) Account or accounts as used in this part means share, share certificate or share draft accounts (or their equivalent under state law, as determined by the Board in the case of insured state credit unions) of a member (which includes other credit unions, public units, and nonmembers where permitted under the Act) in a credit union of a type approved by the Board which evidences money or its equivalent received or held by a credit union in the usual course of business and for which it has given or is obligated to give credit to the account of the member. (b) Insured credit union and federally insured credit union as used in this part mean a credit union with National Credit Union Administration share insurance. (c) Nonfederally insured credit union as used in this part means a credit union with either no account insurance or with primary account insurance provided by some entity other than the National Credit Union Administration.
220		§ 740.2 Accuracy of advertising740	X			§ 740.2 Accuracy of advertising No insured credit union may use any advertising (which includes print, electronic, or broadcast media, displays and signs, stationery, and other promotional material) or make any representation which is inaccurate or deceptive in any particular, or which in any way misrepresents its services, contracts, or financial condition, or which violates the requirements of § 707.8 of this subchapter, if applicable. This provision does not prohibit an insured credit union from using a trade name or a name other than its official charter name in advertising or signage, so long as it uses its official charter name in communications with NCUA and for share certificates or certificates of deposit, signature cards, loan agreements, account statements, checks, drafts and other legal documents.
221		§ 740.3 Advertising of excess insurance 740	X			§ 740.3 Advertising of excess insurance. Any advertising that mentions share or savings account insurance provided by a party other than the NCUA must clearly explain the type and amount of such insurance and the identity of the carrier and must avoid any statement or implication that the carrier is affiliated with the NCUA or the federal government.
222		§ 740.4 Requirements for the official sign 740	X			§ 740.4 Requirements for the official sign. (a) Each insured credit union must continuously display the official sign described in paragraph (b) of this section at each station or window where insured account funds or deposits are normally received in its principal place of business and in all its branches, 30 days after its first day of operation as an insured credit union. Each insured credit union must also display the official sign on its Internet page, if any, where it accepts deposits or open accounts, but it may vary the font sizes from that depicted in paragraph (b) of this section to ensure its legibility. (b) The official sign shall be as depicted below: (1) NCUA will automatically supply all insured credit unions an initial supply of official signs with a blue background and white lettering at no cost for compliance with paragraph (a) of this section. If the initial supply is not adequate, the insured credit unions must immediately request additional signs from NCUA. To address the temporary increase through December 31, 2013 in the standard maximum share insurance amount as defined in §745.1(e) of this chapter, insured credit unions may continue to display the official sign depicted in paragraph (b) of this section but should inform members of the increased coverage through additional signage indicating the temporary increase in coverage, display other versions of the official sign distributed or approved by NCUA and appearing on NCUA's official website, or alter by hand or otherwise the official sign depicted in paragraph (b) of this section for that purpose provided the altered sign is legible and otherwise complies with this part. (2) An insured credit union may purchase signs from commercial suppliers or develop its own in any color scheme so long as they are legible and otherwise comply with this part. A credit union may alter the font size of the official sign to make it legible on its internet page and on documents it provides to its members including advertisements, but it may not do so on signs to be placed at each station or window where the credit union normally receives insured funds or deposits in its principal place of business and all of its branches. (c) To avoid any member confusion from the use of the official NCUA sign, federally insured credit unions are prohibited from receiving account funds at any teller station or window where any non-federally insured credit union also receives account funds. As exceptions to this prohibition: (1) A teller in a branch of a federally insured credit union may accept account funds for non-federally insured credit unions, but only if the teller displays a conspicuous sign next to the official sign that states "This credit union participates in a shared branch network with other credit unions and accepts share deposits for members of those other credit unions. While this credit union is federally insured, not all of these other credit unions are federally insured. If you need information on the insurance status of your credit union, please contact your credit union directly." This sign must be similar to the official sign in terms of design, color, and font. (2) A teller in a facility operated by a non-credit union entity may accept account funds for both federally insured credit unions and non-federally insured credit unions, but only if the teller displays a conspicuous sign next to the official sign stating "This facility accepts share deposits for multiple credit unions. Not all of these credit unions are federally insured. If you need information on the insurance status of your credit union, please contact your credit union directly." This sign must be similar to the official sign in terms of design, color, and font. (3) A teller in a branch of a nonfederally insured credit union may accept account funds

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						for federally insured credit unions. No teller in a non-federally insured credit union may display the official NCUA sign. (d) The Board may require any insured credit union, upon at least 30 days' written notice, to change the wording of its official signs in a manner deemed necessary for the protection of shareholders or others. (e) For purposes of this section, the terms ''branch,'' ''station,'' ''teller station,'' and ''window'' do not include automated teller machines or point of sale terminals. (f) An insured credit union that fails to comply with Section 205(a) of the Federal Credit Union Act regarding the official sign, 12 U.S.C. 1785(a), or any requirement in this part is subject to a penalty of up to $100 per day.
223		§ 740.5 Requirements for the official advertising statement 740	X			§ 740.5 Requirements for the official advertising statement. (a) Each insured credit union must include the official advertising statement, prescribed in paragraph (b) of this section, in all of its advertisements, including on its main Internet page, except as provided in paragraph (c) of this section. (1) An insured credit union must include the official advertising statement in its advertisements thirty (30) days after its first day of operations as an insured credit union unless the Regional Director grants it an extension. (2) If advertising copy without the official advertising statement is on hand on the date the requirements of this section become operative, the insured credit union may use an over-stamp or other means to include the official advertising statement until the supplies are exhausted. (b) The official advertising statement is in substance as follows: "This credit union is federally insured by the National Credit Union Administration." Insured credit unions, at their option, may use the short title "Federally insured by NCUA" or a reproduction of the official sign, as described in §740.4(b), as the official advertising statement. The official advertising statement must be in a size and print that is clearly legible. If the official sign is used as the official advertising statement, an insured credit union may alter the font size to ensure its legibility as provided in §740.4(b)(2). (c) The following advertisements need not include the official advertising statement: (1) Statements of condition and reports of condition of an insured credit union which are required to be published by state or federal law or regulation; (2) Credit union supplies such as stationery (except when used for circular letters), envelopes, deposit slips, checks, drafts, signature cards, account passbooks, and non-insurable certificates; (3) Signs or plates in the credit union office or attached to the building or buildings in which the offices are located; (4) Listings in directories; (5) Advertisements not setting forth the name of the insured credit union; (6) Display advertisements in credit union directories, provided the name of the credit union is listed on any page in the directory with a symbol or other descriptive matter indicating it is insured; (7) Joint or group advertisements of credit union services where the names of insured credit unions and noninsured credit unions are listed and form a part of such advertisement; (8) Advertisements by radio that do not exceed thirty (30) seconds in time; (9) Advertisements by television, other than display advertisements, that do not exceed thirty (30) seconds in time; (10) Advertisements that because of their type or character would be impractical to include the official advertising statement, including but not limited to, promotional items such as calendars, matchbooks, pens, pencils, and key chains; (11) Advertisements that contain a statement to the effect that the credit union is insured by the National Credit Union Administration, or that its accounts and shares or members are insured by the Administration to the maximum of $100,000 for each member or shareholder; (12) Advertisements that do not relate to member accounts, including but not limited to advertisements relating to loans by the credit union, safekeeping box business or services, traveler's checks on which the credit union is not primarily liable, and credit life or disability insurance. (d) The non-English equivalent of the official advertising statement may be used in any advertisement provided that the Regional Director gives prior approval to the translation.
224	**§741 – Requirements for Insurance**	**0 – Scope**				§ 741.0 Scope. The provisions of this part apply to federal credit unions, federally insured state-chartered credit unions, and credit unions making application for insurance of accounts pursuant to Title II of the Act, unless the context of a provision indicates its application is otherwise limited. This part prescribes various requirements for obtaining and maintaining federal insurance and the payment of insurance premiums and capitalization deposit. Subpart A of this part contains substantive requirements that are not codified elsewhere in this chapter. Subpart B of this part lists additional regulations, set forth elsewhere in this chapter as applying to federal credit unions, that also apply to federally insured state-chartered credit unions. As used in this part, ''insured credit union'' means a credit union whose accounts are insured by the National Credit Union Share Insurance Fund (NCUSIF).
225	**Subpart A – Regulations That Apply to Both Federal Credit Unions and Federally Insured State-Chartered Credit Unions and That Are Not Codified Elsewhere in NCUA's Regulations**	**.1 – Examination**			**This section, subpart A of Part 741, of NCUAs regulations governs certain actions by FCUs as well as FISCUs that relate directly to their insurance coverage under the NCUSIF.**	§ 741.1 Examination. As provided in Sections 201 and 204 of the Act (12 U.S.C. 1781 and 1784), the NCUA Board is authorized to examine any insured credit union or any credit union making application for insurance of its accounts. Such examination may require access to all records, reports, contracts to which the credit union is a party, and information concerning the affairs of the credit union. Upon request, such documentation must be provided to the NCUA Board or its representative. Any credit union which makes application for insurance will be required to pay the cost of such examination and processing. To the maximum extent feasible, the NCUA Board will utilize examinations conducted by state regulatory agencies.
226		.2 – Maximum borrowing authority	X			§ 741.2 Maximum borrowing authority. (a) Any credit union which makes application for insurance of its accounts pursuant to Title II of the Act, or any insured credit union, must not borrow, from any source, an aggregate amount in excess of 50 per centum of its paid-in and unimpaired capital and surplus (shares and undivided earnings, plus net income or minus net loss). (b) A federally insured state-chartered credit union may apply to the regional director for a waiver of paragraph (a) of this section up to the amount permitted under the applicable state law or by the state regulator. The waiver request must include: (1) Written approval from the state regulator; (2) A detailed analysis of the safety and soundness implications of the proposed waiver; (3) A proposed aggregate dollar amount or percentage of paid-in and unimpaired capital and surplus limitation; and (4) An explanation demonstrating the need to raise the limit. (c) The regional director will approve the waiver request if the proposed borrowing limit will not adversely affect the safety and soundness of the federally insured state chartered credit union.
227		.3 – Criteria	X			§ 741.3 Criteria. In determining the insurability of a credit union which makes application for insurance and in continuing the insurability of its accounts pursuant to Title II of the Act, the following criteria shall be applied: (a) Reserves—(1) General rule. State-chartered credit unions are subject to section 216 of the Act, 12 U.S.C. 1790d, and to part 702 and subpart L of part 747 of this chapter. (2) Special reserve for nonconforming investments. State-chartered credit unions (except state-chartered corporate credit unions) are required to establish an additional special reserve for investments if those credit unions are permitted by their respective state laws to make investments beyond those authorized in the Act or the NCUA Rules and Regulations. For any investment other than loans to members and obligations or securities expressly authorized in Title I of the Act and part 703 of this chapter, as amended, state-chartered credit unions (except state-chartered corporate credit unions) are required to establish and maintain at the end of each accounting period and prior to payment of any dividend, an Appropriation for Non-

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						conforming Investments in an amount at least equal to the net excess of book value over current market value of the investments. If the market value cannot be determined, an amount equal to the full book value will be established. When at the end of any dividend period, the amount in the Appropriation for Non-conforming Investments exceeds the difference between book value and market value, the board of directors may authorize the transfer of the excess to Undivided Earnings. (b) Financial condition and policies. The following factors are to be considered in determining whether the credit union's financial condition and policies are both safe and sound: (1) The existence of unfavorable trends which may include excessive losses on loans (i.e., losses which exceed the regular reserve or its equivalent [in the case of state chartered credit unions] plus other irrevocable reserves established as a contingency against losses on loans), the presence of special reserve accounts used specifically for charging off loan balances of deceased borrowers, and an expense ratio so high that the required transfers to reserves create a net operating loss for the period or that the net gain after these transfers is not sufficient to permit the payment of a nominal dividend; (2) The existence of written lending policies, including adequate documentation of secured loans and the protection of security interests by recording, bond, insurance, or other adequate means, adequate determination of the financial capacity of borrowers and co-makers for repayment of the loan, and adequate determination of value of security on loans to ascertain that said security is adequate to repay the loan in the event of default; (3) Investment policies which are within the provisions of applicable law and regulations, i.e., the Act and part 703 of this chapter for federal credit unions and the laws of the state in which the credit union operates for state chartered credit unions, except state-chartered corporate credit unions. State-chartered corporate credit unions are permitted to make only those investments that are in conformance with part 704 of this chapter and applicable state laws and regulations; (4) The presence of any account or security, the form of which has not been approved by the Board, except for accounts authorized by state law for state-chartered credit unions. (c) Fitness of management. The officers, directors, and committee members of the credit union must have conducted its operations in accordance with provisions of applicable law, regulations, its charter and bylaws. No person shall serve as a director, officer, committee member, or employee of an insured credit union who has been convicted of any criminal offense involving dishonesty or breach of trust, except with the written consent of the Board. (d) Insurance of member accounts would not otherwise involve undue risk to the NCUSIF. The credit union must maintain adequate fidelity bond coverage as specified in § 741.201. Any circumstances which may be unique to the particular credit union concerned shall also be considered in arriving at the determination of whether or not an undue risk to the NCUSIF is or may be present. For purposes of this section, the term ‘‘undue risk to the NCUSIF’’ is defined as a condition which creates a probability of loss in excess of that normally found in a credit union and which indicates a reasonably foreseeable probability of the credit union becoming insolvent because of such condition, with a resultant claim against the NCUSIF. (e) Powers and purposes. The credit union must not perform services other than those which are consistent with the promotion of thrift and the creation of a source of credit for its members, except as otherwise permitted by law or regulation. (f) Letter of disapproval. A credit union whose application for share insurance is disapproved shall receive a letter indicating the reasons for such disapproval, a citation of the authority for such disapproval, and suggested methods by which the applying credit union may correct its deficiencies and thereby qualify for share insurance. (g) Nothing in this section shall preclude the NCUA Board from imposing additional terms or conditions pursuant to the insurance agreement.
228		.4 – Insurance premium one percent deposit	X			§ 741.4 Insurance premium and one percent deposit. (a) Scope. This section implements the requirements of Section 202 of the Act (12 U.S.C. 1782) providing for capitalization of the NCUSIF through the maintenance of a deposit by each insured credit union in an amount equaling one percent of its insured shares and payment of an insurance premium. (b) Definitions. For purposes of this section: Available assets ratio means the ratio of: (i) The amount determined by subtracting all liabilities of the NCUSIF, including contingent liabilities for which no provision for losses has been made, from the sum of cash and the market value of unencumbered investments authorized under Section 203(c) of the Act (12. U.S.C. 1783(c)), to: (ii) The aggregate amount of the insured shares in all insured credit unions. (iii) Shown as an abbreviated mathematical formula, the available assets ratio is: (cash + market value of unencumbered investments)– (liabilities + contingent liabilities for which no provision for losses has been made) aggregate amount of all insured shares from final reporting period of calendar year Equity ratio means the ratio of: (i) The amount of NCUSIF's capitalization, meaning insured credit unions' one percent capitalization deposits plus the retained earnings balance of the NCUSIF (less contingent liabilities for which no provision for losses has been made) to: (ii) The aggregate amount of the insured shares in all insured credit unions. (iii) Shown as an abbreviated mathematical formula, the equity ratio is: (insured credit unions' 1.0% capitalization deposits + (NCUSIF's retained earnings—contingent liabilities for which no provision for losses has been made) aggregate amount of all insured shares Insured shares means the total amount of a federally insured credit union's share, share draft and share certificate accounts, or their equivalent under state law (which may include deposit accounts), authorized to be issued to members, other credit unions, public units, or nonmembers (where permitted under the Act or equivalent state law), but does not include amounts in excess of insurance coverage as provided in part 745 of this chapter. For a credit union or other entity that is not federally insured, “insured shares” means, for purposes of this section only, the amount of deposits or shares that would have been insured by the NCUSIF under part 745 had the institution been federally insured on the date of measurement. Modified premium/distribution ratio means one minus the premium/distribution ratio. Normal operating level means an equity ratio not less than 1.2 percent and not more than 1.5 percent, as established by action of the NCUA Board. Premium/distribution ratio means the number of full remaining months in the calendar year following the date of the institution's conversion or merger divided by 12. Reporting period means calendar year for credit unions with total assets of less than $50,000,000 and means semiannual period for credit union with total assets of $50,000,000 or more. (c) One percent deposit. Each insured credit union must maintain with the NCUSIF during each reporting period a deposit in an amount equaling one percent of the total of the credit union's insured shares at the close of the preceding reporting period. For credit unions with total assets of less than $50,000,000, insured shares will be measured and adjusted annually based on the insured shares reported in the credit union's 5300 report for December 31of each year. For credit unions with total assets of $50,000,000 or more, insured shares will be measured and adjusted semiannually based on the insured shares reported in the credit union's 5300 reports for December 31 and June 30 of each year. (d) Insurance premium charges. (1) In general. Each insured credit union will pay to the NCUSIF, on dates the NCUA Board determines, but not more than twice in any calendar year, an insurance premium in an amount stated as a percentage of insured shares, which will be the same percentage for all insured credit unions. (2) Relation of premium charge to equity ratio of NCUSIF. (i) The NCUA Board may assess a premium charge only if the NCUSIF's equity ratio is less than 1.3 percent and the premium charge does not exceed the amount necessary to restore the equity ratio to 1.3 percent. (ii) If the equity ratio of the NCUSIF falls to between 1.0 and 1.2 percent, the NCUA Board is required to assess a premium in an amount it determines is necessary to restore the equity ratio to at least 1.2 percent, as provided for in the restoration plan adopted under Section 202(c) (2)(D) of the Act (12 U.S.C. 1782(c)(20(D)). If the equity ratio of the NCUSIF falls below 1.0 percent, the NCUA Board is required to assess a deposit replenishment charge in an amount it determines is necessary to restore the equity ratio to 1.0 percent and to assess a premium charge in an amount it determines is necessary to restore the equity ratio to, at least 1.2 percent, as provided for in the restoration plan adopted under Section 202(c)(2)(D) of the Act (12 U.S.C. 1782(c)(20(D)). (e) Distribution of NCUSIF equity. If, as of the end of a calendar year, the NCUSIF exceeds its normal operating level and its available assets ratio exceeds 1.0 percent, the NCUA Board will make a proportionate distribution of NCUSIF equity to insured credit unions. The distribution will be the maximum amount possible that does not reduce the NCUSIF's equity ratio below its normal operating level and does not reduce its available assets ratio below 1.0 percent. The distribution will be after the calendar year and in the form determined by the NCUA Board. The form of the distribution may include a waiver of insurance premiums, premium rebates, or distributions from NCUSIF equity in the form of dividends. The NCUA Board will use the aggregate amount of the insured shares from all insured credit unions from the final reporting period of the calendar year in calculating the NCUSIF's equity ratio and available assets ratio for purposes of this paragraph. (f) Invoices. The NCUA provides invoices to all federally insured credit unions stating any change in the amount of a credit

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						union's one percent deposit and the computation and funding of any NCUSIF premium or deposit replenishment assessments due. Invoices for federal credit unions also include any annual operating fees that are due. Invoices are calculated based on a credit union's insured shares as of the most recently ended reporting period. The invoices may also provide for any distribution the NCUA Board declares in accordance with paragraph (e) of this section, resulting in a single net transfer of funds between a credit union and the NCUA. (g) New charters. A newly-chartered credit union that obtains share insurance coverage from the NCUSIF during the calendar year in which it has obtained its charter will not be required to pay an insurance premium for that calendar year. The credit union will fund its one percent deposit on a date to be determined by the NCUA Board in the following calendar year, but will not participate in any distribution from NCUSIF equity related to the period prior to the credit union's funding of its deposit. (h) Depletion of one percent deposit. All or part of the one percent deposit may be used by the NCUSIF if necessary to meet its expenses. The NCUSIF may invoice credit unions in an amount necessary to replenish the one percent deposit at any time following the effective date of the depletion. (i) Conversion to Federal insurance. (1) A credit union or other institution that converts to insurance coverage with the NCUSIF will: (i) Immediately fund its one percent deposit based on the total of its insured shares as of the last day of the most recently ended reporting period prior to the date of conversion; (ii) If the NCUSIF assesses a premium in the calendar year of conversion, pay a premium based on the institution's insured shares as of the last day of the most recently ended reporting period preceding the invoice date times the institution's premium/distribution ratio; (iii) If the NCUSIF declares, in the calendar year of conversion on or before the date of conversion, an assessment to replenish the one-percent deposit, pay nothing related to that assessment; (iv) If the NCUSIF declares, at any time after the date of conversion through the end of that calendar year, an assessment to replenish the one-percent deposit, pay a replenishment amount based on the institution's insured shares as of the last day of the most recently ended reporting period preceding the invoice date; and (v) If the NCUSIF declares a distribution in the year following conversion based the NCUSIF's equity at the end of the year of conversion, receive a distribution based on the institution's insured shares as of the end of the year of conversion times the institution's premium/distribution ratio. With regard to distributions declared in the calendar year of conversion but based on the NCUSIF's equity from the end of the preceding year, the converting institution will receive no distribution. (2) A federally-insured credit union that merges with a non-federally-insured credit union or other non-federally insured institution (the "merging institution"), where the federally-insured credit union is the continuing institution, will: (i) Immediately on the date of merger increase the amount of its NCUSIF deposit by an amount equal to one percent of the merging institution's insured shares as of the last day of the merging institution's most recently ended reporting period preceding the date of merger; (ii) With regard to any NCUSIF premiums assessed in the calendar year of merger, pay a two-part premium, with one part calculated on the merging institution's insured shares as described in paragraph (i)(1)(ii) of this section, and the other part calculated on the continuing institution's insured shares as of the last day of its most recently ended reporting period preceding the date of merger; and (iii) If the NCUSIF declares a distribution in the year following the merger based the NCUSIF's equity at the end of the year of merger, receive a distribution based on the continuing institution's insured shares as of the end of the year of merger. With regard to distributions declared in the calendar year of merger but based on the NCUSIF's equity from the end of the preceding year, the institution will receive a distribution based on its insured shares as of the end of the preceding year. (j) Conversion from, or termination of, Federal share insurance. (1) A federally-insured credit union whose insurance coverage with the NCUSIF terminates, including through a conversion to, or merger into, a non-federally insured credit union or a non-credit union entity, will: (i) Receive the full amount of its NCUSIF deposit paid, less any amounts applied to cover NCUSIF losses that exceed NCUSIF retained earnings, immediately after the final date on which any shares of the credit union are NCUSIF-insured; (ii) If the NCUSIF declares a distribution at the end of the calendar year of conversion, receive a distribution based on the institution's insured shares as of the last day of the most recently ended reporting period preceding the date of conversion times the institution's modified premium/distribution ratio; and (iii) If the NCUSIF assesses a premium in the calendar year of conversion or merger on or before the day in which the conversion or merger is completed, pay a premium based on the institution's insured shares as of the last day of the most recently ended reporting period preceding the conversion or merger date times the institution's modified premium/distribution ratio. If the institution has previously paid a premium based on this same assessment that exceeds this amount, the institution will receive a refund of the difference following completion of the conversion or merger. Notwithstanding the requirements of paragraph (j)(1) of this section: (i) Any insolvent credit union that is closed for involuntary liquidation will not be entitled to a return of its deposit; (ii) Any solvent credit union that is closed due to voluntary or involuntary liquidation will be entitled to a return of its deposit paid, less any amounts applied to cover NCUSIF losses that exceed NCUSIF retained earnings, prior to final distribution of member shares; and (iii) The Board reserves the right to delay return of the deposit to any credit union converting from or terminating its federal insurance, or voluntarily liquidating, for up to one year if the Board determines that immediate repayment would jeopardize the NCUSIF. (k) Assessment of administrative fee and interest for delinquent payment. Each federally insured credit union must pay to the NCUA an administrative fee, the costs of collection, and interest on any delinquent payment of its capitalization deposit or insurance premium. A payment will be considered delinquent if it is postmarked or electronically posted later than the date stated in the invoice provided to the credit union. The NCUA may waive or abate charges or collection of interest, if circumstances warrant. (1) The administrative fee for a delinquent payment shall be an amount as fixed from time to time by the NCUA Board based upon the administrative costs of such delinquent payments to the NCUA in the preceding year. (2) The costs of collection shall be calculated as the actual hours expended by NCUA personnel multiplied by the average hourly cost of the salaries and benefits of such personnel. (3) The interest rate charged on any delinquent payment shall be the U.S. Department of the Treasury Tax and loan Rate in effect on the date when the loan payment is due as provided in 31 U.S.C. 3717. (4) The Act contains specific penalties and other consequences for delinquent payments, including, but not limited to: (i) Section 202(d)(2)(B) of the Act (12 U.S.C. 1782(d) (2)(B)) provides that the Board may assess and collect a penalty from an insured credit union of not more than $20,000 for each day the credit union fails or refuses to pay any deposit or premium due to the fund; and (ii) Section 202(d)(3) of the Act (12 U.S.C. 1782(d)(3)) provides, generally, that no insured credit union shall pay any dividends on its insured shares or distribute any of its assets while it remains in default in the payment of its deposit or any premium charge due to the fund. Section 202(d)(3) further provides that any director or officer of any insured credit union who knowingly participates in the declaration or payment of any such dividend or in any such distribution shall, upon conviction, be fined not more than $1,000 or imprisoned more than one year, or both.
230		.5 – Notice of termination of excess insurance coverage.	X			§ 741.5 Notice of termination of excess insurance coverage. In the event of a credit union's termination of share insurance coverage other than that provided by the NCUSIF, the credit union must notify all members in writing of such termination at least thirty days prior to the effective date of termination.
231		.6 – Financial and statistical and other reports	X			§ 741.6 Financial and statistical and other reports. (a) Upon written notice from the Board, Regional Director, or Director of the Office of Corporate Credit Unions, insured credit unions must file financial and other reports in accordance with the instructions in the notice. Credit unions with the capacity to do so must use NCUA's information management system to submit their data online. If a credit union is unable to use the information system, it must file written reports in accordance with the instructions. (1) Credit Union Profile. Insured credit unions must submit to NCUA a Credit Union Profile, NCUA Form 4501 or its equivalent, within 10 days after an election or appointment of senior management or volunteer officials or within 30 days of any change of the information in the profile. (2) Financial and statistical report. Natural person credit unions must file a Call Report with NCUA quarterly in accordance with the instructions in the NCUA Form 5300. Corporate credit unions must file a Corporate Credit Union Call Report with NCUA monthly in accordance with the instructions in the NCUA Form 5310. Credit

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						unions must submit a corrected Call Report upon notification or the discovery of a need for correction. (b) Consistency with GAAP. The accounts of financial statements and reports required to be filed quarterly under paragraph (a) of this section must reflect GAAP if the credit union has total assets of $10 million or greater, but may reflect regulatory accounting principles other than GAAP if the credit union has total assets of less than $10 million (except that a Federally-insured State-chartered credit union may be required by its state credit union supervisor to follow GAAP regardless of asset size). (c) GAAP sources. GAAP means generally accepted accounting principles, as defined in § 715.2(e) of this chapter. GAAP is distinct from GAAS, which means generally accepted auditing standards, as defined in § 715.2(f) of this chapter. Authoritative sources of GAAP include, but are not limited to, pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations, the Accounting Standards Executive Committee (AcSEC) of the American Institute of Certified Public Accountants (AICPA), the FASB's Emerging Issues Task Force (EITF), and the applicable AICPA Audit and Accounting Guide.
232		.7 – Conversion to a state-chartered credit union	X			§ 741.7 Conversion to a state-chartered credit union. Any federal credit union that petitions to convert to a state-chartered federally insured credit union is required to apply to the Regional Director for continued insurance of its accounts and meet the requirements as stated in the Act and this part. If the application for continued insurance is not approved, such insurance will terminate subject to the conditions set forth in section 206(d) of the Act.
233		.8 – Purchase of assets and assumption of liabilities	X			§ 741.8 Purchase of assets and assumption of liabilities. (a) Any credit union insured by the National Credit Union Share Insurance Fund (NCUSIF) must receive approval from the NCUA before purchasing loans or assuming an assignment of deposits, shares, or liabilities from: (1) Any credit union that is not insured by the NCUSIF; (2) Any other financial-type institution (including depository institutions, mortgage banks, consumer finance companies, insurance companies, loan brokers, and other loan sellers or liability traders); or (3) Any successor in interest to any institution identified in paragraph (a)(1) or (a)(2) of this section. (b) Approval is not required for: (1) Purchases of student loans or real estate secured loans to facilitate the packaging of a pool of loans to be sold or pledged on the secondary market under § 701.23(b)(1)(iii) or (iv) of this chapter or comparable state law for state chartered credit unions, or purchases of member loans under § 701.23(b)(1)(i) of this chapter or comparable state law for state-chartered credit unions; (2) Assumption of deposits, shares or liabilities as rollovers or transfers of member retirement accounts or in which a federally-insured credit union perfects a security interest in connection with an extension of credit to any member; or (3) Purchases of assets, including loans, or assumptions of deposits, shares, or liabilities by any credit union insured by the NCUSIF from another credit union insured by the NCUSIF, except a purchase or assumption as a part of a merger under Part 708b. (c) A credit union seeking approval under paragraph (a) of this section must submit a letter to the regional office with jurisdiction for the state where the credit union is headquartered. A corporate credit union seeking approval under paragraph (a) of this section must submit a letter to the Office of Corporate Credit Unions. The letter must request approval and state the nature of the transaction and include copies of relevant transaction documents. The regional director will make a decision to approve or disapprove the request as soon as possible depending on the complexity of the proposed transaction. Credit unions should submit a request for approval in sufficient time to close the transaction.
234		.9 –Uninsured membership shares	X			§ 741.9 Uninsured membership shares. Any credit union that is insured pursuant to Title II of the Act may not offer membership shares that, due to the terms and conditions of the account, are not eligible for insurance coverage. This prohibition does not apply to shares that are uninsured solely because the amount is in excess of the maximum insurance coverage provided pursuant to part 745 of this chapter.
235		.10 – Disclosure of share insurance	X			§ 741.10 Disclosure of share insurance. Any credit union which is insured pursuant to Title II of the Act and is permitted by state law to accept non-member shares or deposits from sources other than other credit unions and public units (or, for low-income designated credit unions, any non members), shall identify such non member accounts as non member shares or deposits on any statement or report required by the NCUA Board for insurance purposes. Immediately after a state-chartered credit union receives notice from NCUA that its member accounts are federally insured, the credit union shall advise any present non member share and deposit holders by letter that their accounts are not insured by the NCUSIF. Also, future non member share and deposit fund holders will be so advised by letter as they open accounts.
236		.11 – Foreign branching	X			§ 741.11 Foreign branching. (a) Application and Prior NCUA Approval Required. Any credit union insured under Title II of the Act must apply for and receive approval from the regional director before establishing a credit union branch outside the United States unless the foreign branch is located on a United States military instillation or embassy outside the United States. The regional director will have 60 days to approve or deny the request. (b) Contents of Application. The application must include a business plan, written approval by the state supervisory agency if the applicant is a state-chartered credit union, and documentation evidencing written permission from the host country to establish the branch that explicitly recognizes NCUA's authority to examine and take any enforcement action, including conservatorship and liquidation actions. (c) Contents of Business Plan. The written business plan must address the following: (1) Analysis of market conditions in the area where the branch is to be established; (2) The credit union's plan for addressing foreign currency risk; (3) Operating facilities, including office space/ equipment and supplies; (4) Safeguarding of assets, bond coverage, insurance coverage, and records preservation; (5) Written policies regarding the branch (shares, lending, capital, charge-offs, collections); (6) The field of membership or portion of the field of membership to be served through the foreign branch and the financial needs of the members to be served and services and products to be provided; (7) Detailed pro forma financial statements for branch operations (balance sheet and income and expense projections) for the first and second year including assumptions; (8) Internal controls including cash disbursal procedures for shares and loans at the branch; (9) Accounting procedures used to identify branch activity and performance; and (10) Foreign income taxation and employment law. (d) Revocation of Approval. A state regulator that revokes approval of the branch office must notify NCUA of the action once it issues the notice of revocation. The regional director may revoke approval of the branch office for failure to follow the business plan in a material respect or for substantive and documented safety and soundness reasons. If the regional director revokes the approval, the credit union will have six months from the date of the revocation letter to terminate the operations of the branch. The credit union can appeal this revocation directly to the NCUA Board within 30 days of the date of the revocation letter. (e) Insurance Coverage. Accounts at foreign branches are insured by the NCUSIF only if denominated in U.S. dollars and only if payable, by the terms of the account agreement, at a U.S. office of the credit union. If the host country requires insurance from its own system, accounts will not be insured by the National Credit Union Share Insurance Fund.
237	Subpart – B-Regulations Codified Elsewhere in NCUA's Regulations as Applying to Federal Credit					

#	NCUA Regulation	Part	Insurance Regulatory Related	Non-Insurance and Consumer Regulatory Related	Description	Rule/Regulation
	Unions That Also Apply to Federally Insured Stated-Chartered Credit Unions					
238		.201 – Minimum fidelity bond requirements	X		This section requires any credit union applying for insurance under the NCUSIF to obtain fidelity bond coverage. Failure to obtain and maintain bond coverage could impact the credit unions financial condition.	§ 741.201 Minimum fidelity bond requirements. (a) Any credit union which makes application for insurance of its accounts pursuant to Title II of the Act must possess the minimum fidelity bond coverage stated in part 713 of this chapter in order for its application for such insurance to be approved and for such insurance coverage to continue. A federally insured credit union whose fidelity bond coverage is terminated shall mail notice of such termination to the Regional Director not less than 35 days prior to the effective date of such termination. (b) Corporate credit unions must comply with § 704.18 of this chapter in lieu of part 713 of this chapter.
239		.202 – Audit and verification requirements	X		This section requires a Supervisory Committee to make or cause to be made an audit of the credit unions books and records. Non-compliance can impact the credit union's financial condition.	§ 741.202 Audit and verification requirements. (a) The supervisory committee of each credit union insured pursuant to Title II of the Act shall make or cause to be made an audit of the credit union at least once every calendar year covering the period elapsed since the last audit. The audit must fully meet the applicable requirements set forth in part 715 of this chapter or applicable state laws, whichever requirement is more stringent. (b) Each credit union which is insured pursuant to Title II of the Act shall verify or cause to be verified, under controlled conditions, all passbooks and accounts with the records of the financial officer not less frequently than once every 2 years. The verification must fully meet the requirements set forth in § 715.8 of this chapter.
240		.203 – Minimum loan policy requirements	X		This section establishes certain requirements for an FCUs compliance with parts 723 and 701 of NCUA regulations, and exempts FISCUs if the SSA has adopted their own rules governing certain lending programs/practices.	§ 741.203 Minimum loan policy requirements. Any credit union which is insured pursuant to Title II of the Act must: (a) Adhere to the requirements stated in part 723 of this chapter concerning member business loans, § 701.21(c) (8) of this chapter concerning prohibited fees, and § 701.21(d)(5) of this chapter concerning non preferential loans. State-chartered, NCUSIF-insured credit unions in a given state are exempt from these requirements if the state supervisory authority for that state adopts substantially equivalent regulations as determined by the NCUA Board or, in the case of the member business loan requirements, if the state supervisory authority adopts member business loan regulations that are approved by the NCUA Board pursuant to § 723.20. In nonexempt states, all required NCUA reviews and approvals will be handled in coordination with the state credit union supervisory authority; and (b) Adhere to the requirements stated in part 722 of this chapter concerning appraisals. (c) Adhere to the requirements stated in §701.21(h) of this chapter concerning third-party servicing of indirect vehicle loans. Before a state-chartered credit union applies to a regional director for a waiver under §701.21(h)(2), it must first notify its state supervisory authority. The regional director will not grant a waiver unless the appropriate state official concurs in the waiver. The 45-day period for the regional director to act on a waiver request, as described §701.21(h)(3), will not begin until the regional director has received the state official's concurrence and any other necessary information.
241		.204 – Maximum public unit and nonmember accounts, and low income designation	X		This section requires compliance with part 701.32 regarding acceptance of non-member deposits.	§ 741.204 Maximum public unit and nonmember accounts, and low-income designation. Any credit union that is insured, or that makes application for insurance, pursuant to Title II of the Act must: (a) Adhere to the requirements of § 701.32 of this chapter regarding public unit and nonmember accounts, provided it has the authority to accept such accounts. Requests by federally insured state-chartered credit unions for an exemption from the limitation of § 701.32 of this chapter will be made and reviewed on the same basis as that provided in § 701.32 of this chapter for federal credit unions, provided, however that NCUA will not grant an exemption without the concurrence of the appropriate state regulator. (b) Obtain a low-income designation in order to accept nonmember accounts, other than from public units or other credit unions, provided it has the authority to accept such accounts under state law. The state regulator shall make the low-income designation with the concurrence of the appropriate regional director. The designation will be made and reviewed by the state regulator on the same basis as that provided in § 701.34(a) of this chapter for federal credit unions. Removal of the designation by the state regulator for such credit unions shall be with the concurrence of NCUA. (c) Receive secondary capital accounts only if the credit union has a low-income designation pursuant to paragraph (b) of this section, and then only in accordance with the terms and conditions authorized for Federal credit unions pursuant to § 701.34(b)(1) of this chapter and to the extent not inconsistent with applicable state law and regulation. State chartered federally insured credit unions offering secondary capital accounts must submit the plan required by § 701.34(b)(1) to both the state supervisory authority and the NCUA Regional Director for approval. The state supervisory authority must approve or disapprove the plan with the concurrence of the appropriate NCUA Regional Director. (d) Redeem secondary capital accounts only in accordance with the terms and conditions authorized for federal credit unions pursuant to § 701.34(d) of this chapter and to the extent not inconsistent with applicable state law and regulation. State chartered federally insured credit unions seeking to redeem secondary capital accounts must submit the request required by § 701.34(d)(1) to both the state supervisory authority and the NCUA Regional Director. The state supervisory authority must grant or deny the request with the concurrence of the appropriate NCUA Regional Director.
242		.205 – Reporting requirements for credit unions that are newly chartered or in troubled condition	X		This section required newly chartered credit unions in existence under 2 years or credit unions designated as in troubled condition to comply with part 701.14 of the	§ 741.205 Reporting requirements for credit unions that are newly chartered or in troubled condition. Any federally insured credit union chartered for less than 2 years or any credit union defined to be in troubled condition as set forth in § 701.14(b)(3) of this chapter must adhere to the requirements stated in § 701.14(c) of this chapter concerning the prior notice and NCUA review. Federally insured state-chartered credit unions must submit required information to both the appropriate NCUA Regional Director and their state supervisor. NCUA will consult with the state supervisor before making its determination pursuant to § 701.14 (d)(2) and (f) of this chapter. NCUA will notify the state supervisor of its approval/disapproval no later than the time that it notifies the affected individual pursuant to § 701.14(d)(1) of this chapter.

#	NCUA Regulation	Part	Insurance Regulatory Related	Non-Insurance and Consumer Regulatory Related	Description	Rule/Regulation
					regulations.	
243		.206 – Corporate credit unions	X		Requires corporate credit unions to comply with part 704 of NCUA regulations.	§ 741.206 Corporate credit unions. Any corporate credit union insured pursuant to Title II of the Act shall adhere to the requirements of part 704 of this chapter.
244		. 207 – Community development revolving loan program for credit unions.		X	This part of section 741 requires any insured credit union to adhere to part 705 of NCUA regulations governing loans to LICU's for the purposes of community investment.	§ 741.207 Community development revolving loan program for credit unions. Any credit union which is insured pursuant to Title II of the Act and is a ''participating credit union,'' as defined in § 705.3 of this chapter, shall adhere to the requirements stated in part 705 of this chapter.
245		.208 – Mergers of federally insured credit unions; voluntary termination or conversion of insured status.	X		Requires compliance with section 206 of the FCU act and parts 708a and 708b of the regulation regarding termination or conversion of insured status.	§ 741.208 Mergers of federally insured credit unions: voluntary termination or conversion of insured status. Any credit union which is insured pursuant to Title II of the Act and which merges with another credit union or non-credit union institution, and any state-chartered credit union which voluntarily terminates its status as a federally-insured credit union, or converts from federal insurance to other insurance from a government or private source authorized to insure member accounts, shall adhere to the applicable requirements stated in section 206 of the Act and parts 708a and 708b of this chapter concerning mergers and voluntary termination or conversion of insured status.
246		.209 – Management official interlocks	X		Prohibits an official of one credit union serving as an official of another, competing, credit union.	§ 741.209 Management official interlocks. Any credit union which is insured pursuant to Title II of the Act shall adhere to the requirements stated in part 711 of this chapter concerning management official interlocks, issued under the provisions of the Depository Institution Management Interlocks Act (12 U.S.C. 3201 et seq.).
247		.210 – Central liquidity facility	X		Requires insured credit unions to comply with part 725 of the regulation governing the membership of credit unions in the CLF.	§ 741.210 Central liquidity facility. Any credit union which is insured pursuant to Title II of the Act and is a member of the Central Liquidity Facility, shall adhere to the requirements stated in part 725 of this chapter.
248		.211 – Advertising		X	This section of this part of NCUAs regulations requires an insured credit union to comply with Part 740 of the regulations governing the advertising and notification of NCUSIF insurance.	§ 741.211 Advertising. Any credit union which is insured pursuant to Title II of the Act shall adhere to the requirements prescribed by part 740 of this chapter.
249		.212 – Share insurance	X		This section addresses the insurance of member accounts as prescribed in subpart A of part 745 of the regulations.	§ 741.212 Share insurance. (a) Member share accounts received by any credit union which is insured pursuant to Title II of the Act in its usual course of business, including regular shares, share certificates, and share draft accounts, are insured subject to the limitations and rules in subpart A of part 745 of this chapter. (b) The payment of share insurance and the appeal process applicable to any credit union which is insured pursuant to Title II of the Act are addressed in subpart B of part 745 of this chapter.
250		.213 – Administrative actions, adjudicative hearings, rules of practice and procedure	X		This section addresses an insured credit unions compliance with part 747 of the regulations.	§ 741.213 Administrative actions, adjudicative hearings, rules of practice and procedure. Any credit union which is insured pursuant to Title II of the Act shall adhere to the applicable rules of practice and procedures for administrative actions and adjudicative hearings prescribed by part 747 of this chapter. Subpart E of part 747 of this chapter applies only to federal credit unions.
251		.214 – Report of crime or catastrophic act and Bank Secrecy		X	This section of part 741 requires insured credit unions to comply with Part 748 a regulation that	§ 741.214 Report of crime or catastrophic act and Bank Secrecy Act compliance. Any credit union which is insured pursuant to Title II of the Act shall adhere to the requirements stated in part 748 of this chapter.

#	NCUA Regulation	Part	Insurance Regulatory Related	Non-Insurance and Consumer Regulatory Related	Description	Rule/Regulation
		Act compliance			deals with consumer protection.	
252		.215 – Records preservation program		X	This section of part 741 requires and insured credit union to comply with part 749 of the regulations which addresses the preservation of credit union records, including member information.	§ 741.215 Records preservation program. Any credit union which is insured pursuant to Title II of the Act shall maintain a records preservation program as prescribed by part 749 of this chapter.
253		.216 – Flood insurance		X	This section of part 741 requires and insured credit union to comply with part 760 of the regulations which addresses the requirement for flood insurance on real estate loans where required for protection of the member's property and credit unions collateral.	§ 741.216 Flood insurance. Any credit union which is insured pursuant to Title II of the Act shall adhere to the requirements stated in part 760 of this chapter.
254		.217 – Truth in savings		X	This section of part 741 requires insured credit unions to comply with part 707 of the regulations which addresses compliance with the Truth in Savings act, as previously discussed above	§ 741.217 Truth in savings. Any credit union which is insured pursuant to Title II of the Act shall adhere to the requirements stated in part 707 of this chapter.
255		.218 – Involuntary liquidation and creditor claims	X		Requires all insured credit unions to comply with part 709 of the regulation regarding involuntary liquidation and creditor claims against FCUs.	§ 741.218 Involuntary liquidation and creditor claims. Any credit union which is insured pursuant to Title II of the Act shall adhere to the applicable provisions in part 709 of this chapter. Section 709.3 of this chapter applies only to federal credit unions.
256		.219 – Investment requirements	X		Requires compliance of all insured credit unions to comply with Part 703 of the regulations. Part 703 is discussed earlier in this chart.	§ 741.219 Investment requirements. Any credit union which is insured pursuant to Title II of the Act must adhere to the requirements stated in part 703 of this chapter concerning transacting business with corporate credit unions.
257		.220 – Privacy of consumer financial information		X	Requires compliance of all insured credit unions to comply with part 716 of the regulation. Part 716 is discussed earlier in this chart.	§ 741.220 Privacy of consumer financial information. Any credit union which is insured pursuant to Title II of the Act must adhere to the requirements stated in part 716 of this chapter.
258		.221 Suretyship and guaranty requirements	X		Requires compliance with Part 701.20 of NCUA regulations regarding an FCU entering into a	§ 741.221 Suretyship and guaranty requirements. Any credit union, which is insured pursuant to Title II of the Act, must adhere to the requirements in § 701.20 of this chapter. State-chartered, NCUSIF-insured credit unions may only enter into suretyship and guaranty agreements to the extent authorized under state law.

#	NCUA Regulation	Part	Insurance Regulatory Related	Non-Insurance and Consumer Regulatory Related	Description	Rule/Regulation
					suretyship arrangement, and limits an NCUSIFs ability to enter into such arrangements to the applicable state law.	
259		.222- Credit Union Service Organizations	X		Requires all insured credit unions to comply with part 712.(d)(3) and 712.4 of NCUA regulations regarding the establishment and operation of CUSOs.	§ 741.222. Credit Union Service Organizations. (a) Any credit union that is insured pursuant to Title II of the Act must adhere to the requirements in § 712.3(d)(3) and § 712.4 of this chapter concerning agreements between credit unions and their credit union service organizations (CUSOs) and the requirement to maintain separate corporate identities. For purposes of this section, a CUSO is any entity in which a credit union has an ownership interest or to which a credit union has extended a loan and that is engaged primarily in providing products or services to credit unions or credit union members, or, in the case of checking and currency services, including check cashing services, sale of negotiable checks, money orders, and electronic transaction services, including international and domestic electronic fund transfers, to persons eligible for membership in any credit union having a loan, investment or contract with the entity. (b) This section shall have no preemptive effect with respect to the laws or rules of any state providing for access to CUSO books and records or CUSO examination by credit union regulatory authorities. (c) The effective date for compliance with this section is June 29, 2009.
260	**§745- Share Insurance and Appendix**				**This entire section, including subparts A and B, addresses membership accounts and payments to members.**	
261	Subpart A – Clarification and Definition of Account Insurance and Coverage	.0 – Scope				§ 745.0 Scope. The regulation and appendix contained in this Part describe the insurance coverage of various types of member accounts. In general, all types of member share accounts received by the credit union in its usual course of business, including regular shares, share certificates, and share draft accounts, represent equity and are insured. For the purposes of applying the rules in this part, it is presumed that the owner of funds in an account is an insured credit union member or otherwise eligible to maintain an insured account in a credit union. These rules do not extend insurance coverage to persons not entitled to maintain an insured account or to account relationships that have not been approved by the Board as an insured account. Where there are multiple owners of a single account, generally only that part which is allocable to the member(s) is insured.
262		.1 Definitions				§ 745.1 Definitions. (a) The terms account or accounts as used in this Part mean share, share certificate or share draft accounts (or their equivalent under state law, as determined by the Board in the case of insured state credit unions) of a member (which includes other credit unions, public units and nonmembers where permitted under the Act) in a credit union of a type approved by the Board which evidences money or its equivalent received or held by a credit union in the usual course of business and for which it has given or is obligated to give credit to the account of the member. (b) The terms member or members as used in this Part mean those persons enumerated in the credit union's field of membership who have been elected to membership in accordance with the Act or state law in the case of state credit unions. It also includes those nonmembers permitted under the Act to maintain accounts in an insured credit union, including nonmember credit unions and nonmember public units and political subdivisions. (c) The term public unit means the United States, any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Panama Canal Zone, any territory or possession of the United States, any county, municipality, or political subdivision thereof, or any Indian tribe as defined in Section 3(c) of the Indian Financing Act of 1974. (d) The term political subdivision includes any subdivision of a public unit, as defined in paragraph (c) above, or any principal department of such public unit (1) the creation of which subdivision or department has been expressly authorized by state statute, (2) to which some functions of government have been delegated by state statute, and (3) to which funds have been allocated by statute or ordinance for its exclusive use and control. It also includes drainage, irrigation, navigation improvement, levee, sanitary, school or power districts and bridge or port authorities, and other special districts created by state statute or compacts between the states. Excluded from the term are subordinate or non-autonomous divisions, agencies, or boards within principal departments. (e) The term "standard maximum share insurance amount," referred to as the "SMSIA" hereafter, means $250,000 from October 3, 2008, until December 31, 2013. Effective January 1, 2014, the SMSIA means $100,000 adjusted pursuant to subparagraph (F) of section 11(a)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a) (1)(F)). All examples in this part use $250,000 as the SMSIA.
263		.2 – General principles applicable in determining insurance of accts.		X		§ 745.2 General principles applicable in determining insurance of accounts. (a) General: This part provides for determination by the Board of the amount of members' insured accounts. The rules for determining the insurance coverage of accounts maintained by members in the same or different rights and capacities in the same insured credit union are set forth in the following provisions of this part. The appendix provides examples of the application of these rules to various factual situations. While the provisions of this part govern in determining share insurance coverage, to the extent local law enters into a share insurance determination, the local law of the jurisdiction in which the insured credit union's principal office is located will control over the local law of other jurisdictions where the insured credit union has offices or service facilities. (b) The regulations in this part in no way are to be interpreted to authorize any type of account that is not authorized by Federal law or regulation or State law or regulation or by the bylaws of a particular credit union. The purpose is to be as inclusive as possible of all situations. (c) Records. (1) The account records of the insured credit union shall be conclusive as to the existence of any relationship pursuant to which the funds in the account are deposited and on which a claim for insurance coverage is founded. Examples would be trustee, agent, custodian, or executor. No claim for insurance based on such a relationship will be recognized in the absence of such disclosure. (2) If the account records of an insured credit union disclose the existence of a relationship which may provide a basis for additional insurance, the details of the relationship and the interest of other parties in the account must be ascertainable either from the records of the credit union or the records of the member maintained in good faith and in the regular course of business. (3) The account records of an insured credit union in connection with a trust account shall disclose the name of both the settlor (grantor) and the trustee of the trust and shall contain an account signature card executed by the trustee. (4) The interests of the co-owners of a joint account shall be deemed equal, unless otherwise stated on the insured credit union's records in the case of a tenancy in common. (d) Valuation of trust interests. (1) Trust interests in the same trust deposited in the same account will be separately insured if the value of the trust interest is capable of determination, without evaluation of contingencies, except for those covered by the present worth tables and rules of calculation for their use set forth in § 20.2031–7 of the Federal Estate Tax Regulations (26 CFR 20.2031–7). (2) In connection with any trust in which certain trust interests are not capable of evaluation in accordance with the foregoing rule, payment by the Board to the trustee with respect to all such trust interests shall not exceed the SMSIA. (3) Each trust interest in any trust established by two or more settlors shall be deemed to be derived from each settlor pro rata to his contribution to the trust. (4) The term ''trust interest'' means the interest of a beneficiary in an irrevocable express trust, whether created by trust

#	NCUA Regulation	Part	Insurance Regulatory Related	Non-Insurance and Consumer Regulatory Related	Description	Rule/Regulation
						instrument or statute, but does not include any interest retained by the settlor. (e) Continuation of insurance coverage following the death of a member. The death of a member will not affect the member's share insurance coverage for a period of six months following death unless the member's share accounts are restructured in that time period. If the accounts are restructured during the six-month grace period, or upon the expiration of the six months if not restructured, the share insurance coverage will be provided on the basis of actual ownership of the accounts in accordance with the provisions of this part. The operation of this grace period, however, will not result in a reduction of coverage. (f) Continuation of separate share insurance coverage after merger of insured credit unions. Whenever the liability to pay the member accounts of one or more insured credit unions is assumed by another insured credit union, whether by merger, consolidation, other statutory assumption or contract: The insured status of the credit unions whose member account liability has been assumed terminates, for purposes of this section, on the date of receipt by NCUA of satisfactory evidence of the assumption; and the separate insurance of member accounts assumed continues for six months from the date the assumption takes effect or, in the case of a share certificate, the earliest maturity date after the six-month period. In the case of a share certificate that matures within the six-month grace period that is renewed at the same dollar amount, either with or without accrued dividends having been added to the principal amount, and for the same term as the original share certificate, the separate insurance applies to the renewed share certificate until the first maturity date after the six-month period. A share certificate that matures within the six-month grace period that is renewed on any other basis, or that is not renewed, is separately insured only until the end of the six-month grace period.
264		.3 – Single ownership accounts		X		§ 745.3 Single ownership accounts. (a) Funds owned by an individual and deposited in the manner set forth below shall be added together and insured up to the SMSIA in the aggregate. (1) Individual accounts. Funds owned by an individual (or by the husband-wife community of which the individual is a member) and deposited in one or more accounts in the individual's own name shall be insured up to the SMSIA in the aggregate. (2) Accounts held by agents or nominees. Funds owned by a principal and deposited in one or more accounts in the name or names of agents or nominees shall be added to any individual account of the principal and insured up to the SMSIA in the aggregate. This applies to interests created in qualified tuition savings programs established in connection with section 529 of the Internal Revenue Code (26 U.S.C. 529). (3) Mortgage servicing accounts. Accounts maintained by a mortgage servicer, in a custodial or other fiduciary capacity, which are comprised of payments by mortgagors of principal and interest, shall be insured for the cumulative balance paid into the account by the mortgagors, up to the limit of the SMSIA per mortgagor. Accounts maintained by a mortgage servicer, in a custodial or other fiduciary capacity, which are comprised of payments by mortgagors of taxes and insurance premiums shall be added together and insured in accordance with paragraph (a)(2) of this section for the ownership interest of each mortgagor in such accounts. This provision is effective as of October 22, 2008, for all existing and future mortgage servicing accounts. (b) Funds held by a guardian, custodian, or conservator for the benefit of his ward or for the benefit of a minor under a Uniform Gifts to Minors Act and deposited in one or more accounts in the name of the guardian, custodian, or conservator are insured up to the SMSIA in the aggregate, separately from any other accounts of the guardian, custodian, conservator, ward, or minor.
265		.4 – Revocable trust accounts		X	258	§ 745.4 Revocable trust accounts. (a) General rule. Except as provided in paragraph (e) of this section, the funds owned by an individual and deposited into one or more accounts with respect to which the owner evidences an intention that upon his or her death the funds shall belong to one or more beneficiaries shall be separately insured (from other types of accounts the owner has at the same insured credit union) in an amount equal to the total number of different beneficiaries named in the account(s) multiplied by the SMSIA. This section applies to all accounts held in connection with informal and formal testamentary revocable trusts. Such informal trusts are commonly referred to as payable-on-death accounts, in-trust-for accounts or Totten Trust accounts, and such formal trusts are commonly referred to as living trusts or family trusts. (Example 1: Account Owner "A" has a living trust account with four different beneficiaries named in the trust. A has no other revocable trust accounts at the same NCUA-insured credit union. The maximum insurance coverage would be $1,000,000, determined by multiplying 4 times $250,000 (the number of beneficiaries times the SMSIA). (Example 2: Account Owner "A" has a payable-on-death account naming his niece and cousin as beneficiaries, and A also has, at the same NCUA insured credit union, another payable-on-death account naming the same niece and a friend as beneficiaries. The maximum coverage available to the account owner would be $750,000. This is because the account owner has named only three different beneficiaries in the revocable trust accounts – his niece and cousin in the first, and the same niece and a friend in the second. The naming of the same beneficiary in more than one revocable trust account, whether it be a payable-on-death account or living trust account, does not increase the total coverage amount.) (Example 3: Account Owner "A" establishes a living trust account with a balance of $300,000, naming his two children "B" and "C" as beneficiaries. A also establishes, at the same NCUA-insured credit union, a payable-on death account, with a balance of $300,000, also naming his children B and C as beneficiaries. The maximum coverage available to A is $500,000, determined by multiplying 2 times $250,000 (the number of different beneficiaries times the SMSIA). A is uninsured in the amount of $100,000. This is because all funds that an owner holds in both living trust accounts and payable-on-death accounts, at the same NCUA-insured credit union and naming the same beneficiaries, are aggregated for insurance purposes and insured to the applicable coverage limits.) (b) Required intention and naming of beneficiaries. The required intention in paragraph (a) of this section that upon the owner's death the funds shall belong to one or more beneficiaries must be manifested in the title of the account or elsewhere in the account records of the credit union using commonly accepted terms such as, but not limited to, in trust for, as trustee for, payable-on-death to, or any acronym therefore, or by listing one or more beneficiaries in the account records of the credit union. In addition, for informal revocable trust accounts, the beneficiaries must be specifically named in the account records of the insured credit union. The settlor of a revocable trust shall be presumed to own the funds deposited into the account. (c) Definition of beneficiary. For purposes of this section, a beneficiary includes a natural person as well as a charitable organization and other non-profit entity recognized as such under the Internal Revenue Code of 1986, as amended. (d) Interests of beneficiaries outside the definition of beneficiary in this section. If a beneficiary named in a trust covered by this section does not meet the definition of beneficiary in paragraph (c) of this section, the funds corresponding to that beneficiary shall be treated as the individually owned (single ownership) funds of the owner(s). As such, they shall be aggregated with any other single ownership accounts of such owner(s) and insured up to the SMSIA per owner. (Example: Account Owner "A" establishes a payable-on-death account naming a pet as beneficiary with a balance of $100,000. A also has an individual account at the same NCUA-insured credit union with a balance of $175,000. Because the pet is not a "beneficiary," the two accounts are aggregated and treated as a single ownership account. As a result, A is insured in the amount of $250,000, but is uninsured for the remaining $25,000.). (e) Revocable trust accounts with aggregate balances exceeding five times the SMSIA and naming more than five different beneficiaries. Notwithstanding the general coverage provisions in paragraph (a) of this section, for funds owned by an individual in one or more revocable trust accounts naming more than five different beneficiaries and whose aggregate balance is more than five times the SMSIA, the maximum revocable trust account coverage for the account owner shall be the greater of either: five times the SMSIA or the aggregate amount of the interests of each different beneficiary named in the trusts, to a limit of the SMSIA per different beneficiary. (Example 1: Account Owner "A" has a living trust with a balance of $1 million and names two friends, "B" and "C" as beneficiaries. At the same NCUA-insured credit union, A establishes a payable-on-death account, with a balance of $1 million naming his two cousins, "D" and "E" as beneficiaries. Coverage is determined under the general coverage provisions in paragraph (a), and not this paragraph. This is because all funds that A holds in both living trust accounts and payable-on-death accounts, at the same NCUA-insured credit union, are aggregated for insurance purposes. Although A's aggregated balance of $2 million is more than five times the SMDIA, A names only four different beneficiaries, and coverage under this paragraph (e) applies only if there are more than five different beneficiaries. A is insured in the amount of $1 million (4 beneficiaries times the SMSIA), and uninsured for the remaining $1 million.) (Example 2: Account Owner "A" has a living trust account with a balance of $1,500,000. Under the terms of the trust, upon A's death, A's three children are each entitled to $125,000, A's friend is entitled to $15,000, and a designated

#	NCUA Regulation	Part	Insurance Regulatory Related	Non-Insurance and Consumer Regulatory Related	Description	Rule/Regulation
						charity is entitled to $175,000. The trust also provides that the remainder of the trust assets shall belong to A's spouse. In this case, because the balance of the account exceeds $1,250,000 (5 times the SMSIA) and there are more than five different beneficiaries named in the trust, the maximum coverage available to A would be the greater of: $1,250,000 or the aggregate of each different beneficiary's interest to a limit of $250,000 per beneficiary. The beneficial interests in the trust for purposes of determining coverage are: $125,000 for each of the children (totaling $375,000), $15,000 for the friend, $175,000 for the charity, and $250,000 for the spouse (because the spouse's $935,000 is subject to the $250,000 per-beneficiary limitation). The aggregate beneficial interests total $815,000. Thus, the maximum coverage afforded to the account owner would be $1,250,000, the greater of $1,250,000 or $815,000. (f) Co-owned revocable trust accounts. (1) Where an account described in paragraph (a) of this section is established by more than one owner, the respective interest of each account owner (which shall be deemed equal) shall be insured separately, per different beneficiary, up to the SMSIA, subject to the limitation imposed in paragraph (e) of this section. (Example 1: A and B, two individuals, establish a payable-on-death account naming their three nieces as beneficiaries. Neither A nor B has any other revocable trust accounts at the same NCUA-insured credit union. The maximum coverage afforded to A and B would be $1,500,000, determined by multiplying the number of owners (2) times the SMSIA ($250,000) times the number of different beneficiaries (3). In this example, A would be entitled to revocable trust coverage of $750,000 and B would be entitled to revocable trust coverage of $750,000. (Example 2: A and B, two individuals, establish a payable on-death account naming their two children, two cousins, and a charity as beneficiaries. The balance in the account is $1,750,000. Neither A nor B has any other revocable trust accounts at the same NCUA-insured credit union. The maximum coverage would be determined under paragraph (a) of this section by multiplying the number of account owners (2) times the number of different beneficiaries (5) times $250,000, totaling $2,500,000. Because the account balance ($1,750,000) is less than the maximum coverage amount ($2,500,000), the account would be fully insured. (Example 3: A and B, two individuals, establish a living trust account with a balance of $3.75 million. Under the terms of the trust, upon the death of both A and B, each of their three children is entitled to $600,000, B's cousin is entitled to $380,000, A's friend is entitled to $70,000, and the remaining amount ($1,500,000) goes to a charity. Under paragraph (e) of this section, the maximum coverage, as to each co-owned account owner, would be the greater of $1,250,000 or the aggregate amount (as to each co-owner) of the interest of each different beneficiary named in the trust, to a limit of $250,000 per account owner per beneficiary. The beneficial interests in the trust considered for purposes of determining coverage for account owner A are: $750,000 for the children (each child's interest attributable to A, $300,000, is subject to the $250,000-per-beneficiary limitation), $190,000 for the cousin, $35,000 for the friend, and $250,000 for the charity (the charity's interest attributable to A, $750,000, is subject to the $250,000 per-beneficiary limitation). As to A, the aggregate amount of the beneficial interests eligible for deposit insurance coverage totals $1,225,000. Thus, the maximum coverage afforded to account crowner A would be $1,250,000, which is the greater of $1,250,000 or the aggregate of all the beneficial interests attributable to A (limited to $250,000 per beneficiary), which totaled slightly less at $1,225,000. Because B has equal ownership interest in the trust, the same analysis and coverage determination also would apply to B. Thus, of the total account balance of $3.75 million, $2.5 million would be insured and $1.25 million would be uninsured.) (2) Notwithstanding paragraph (f)(1) of this section, where the owners of a co-owned revocable trust account are themselves the sole beneficiaries of the corresponding trust, the account shall be insured as a joint account under section 745.8 and shall not be insured under the provisions of this section. (Example: If A and B establish a payable-on-death account naming themselves as the sole beneficiaries of the account, the account will be insured as a joint account because the account does not satisfy the intent requirement (under paragraph (a) of this section) that the funds in the account belong to the named beneficiaries upon the owners' death. The beneficiaries are in fact the actual owners of the funds during the account owners' lifetimes.) (g) For deposit accounts held in connection with a living trust that provides for a life estate interest for designated beneficiaries, NCUA shall value each such life estate interest as the SMSIA for purposes of determining the insurance coverage available to the account owner under paragraph (e) of this section. (Example: Account Owner "A" has a living trust account with a balance of $1,500,000. Under the terms of the trust, A provides a life estate interest for his spouse. Moreover, A's three children are each entitled to $275,000, A's friend is entitled to $15,000, and a designated charity is entitled to $175,000. The trust also provides that the remainder of the trust assets shall belong to A's granddaughter. In this case, because the balance of the account exceeds $1,250,000 (5 five times the SMSIA) and there are more than five different beneficiaries named in the trust, the maximum coverage available to A would be the greater of: $1,250,000 or the aggregate of each different beneficiary's interest to a limit of $250,000 per beneficiary. The beneficial interests in the trust considered for purposes of determining coverage are: $250,000 for the spouse's life estate, $750,000 for the children (because each child's $275,000 is subject to the $250,000 per beneficiary limitation), $15,000 for the friend, $175,000 for the charity, and $250,000 for the granddaughter (because the granddaughter's $310,000 remainder is limited by the $250,000 per-beneficiary limitation). The aggregate beneficial interests total $1,440,000. Thus, the maximum coverage afforded to the account owner would be $1,440,000, the greater of $1,250,000 or $1,440,000.). (h) Revocable trusts that become irrevocable trusts. Notwithstanding the provisions in section 745.9-1 on the insurance coverage of irrevocable trust accounts, if a revocable trust account converts in part or entirely to an irrevocable trust upon the death of one or more of the trust's owners, the trust account shall continue to be insured under the provisions of this section. (Example: Assume A and B have a trust account in connection with a living trust, of which they are joint grantors. If upon the death of either A or B the trust transforms into an irrevocable trust as to the deceased grantor's ownership in the trust, the account will continue to be insured under the provisions of this section.) (i) This section shall apply to all existing and future revocable trust accounts and all existing and future irrevocable trust accounts resulting from formal revocable trust accounts.
266		.5 Accounts held by executors or administrators		X		§ 745.5 Accounts held by executors or administrators. Funds of a decedent held in the name of the decedent or in the name of the executor or administrator of the decedent's estate and deposited in one or more accounts shall be insured up to the SMSIA in the aggregate for all such accounts, separately from the individual accounts of the beneficiaries of the estate or of the executor or administrator.
267		.6 – Accounts held by a corporation, partnership or unincorporated association		X		§ 745.6 Accounts held by a corporation, partnership or unincorporated association. Accounts of a corporation, partnership, or unincorporated association engaged in any independent activity shall be insured up to the SMSIA in the aggregate. The account of a corporation, partnership, or unincorporated association not engaged in an independent activity shall be deemed to be owned by the person or persons owning such corporation or comprising such partnership or unincorporated association and, for account insurance purposes, the interest of each person in such an account shall be added to any other account individually owned by such person and insured up to the SMSIA in the aggregate. For purposes of this section, ''independent activity'' means an activity other than one directed solely at increasing insurance coverage.
268		.7 – Shares accepted in a foreign currency		X		§ 745.7 Shares accepted in a foreign currency. An insured credit union may accept shares denominated in a foreign currency. Shares denominated in a foreign currency will be insured in accordance with this part to the same extent as shares denominated in U.S. dollars. Insurance for shares denominated in foreign currency will be determined and paid in the amount of United States dollars that is equivalent in value to the amount of the shares denominated in the foreign currency as of close of business on the date of default of the insured credit union. The exchange rates to be used for such conversions are the 12 p.m. rates (the ''noon buying rates for cable transfers'') quoted for major currencies by the Federal Reserve Bank of New York on the date of default of the insured credit union, unless the share agreement provides that some other widely recognized exchange rates are to be used for all purposes under that agreement.

#	NCUA Regulation	Part	Insurance Regulatory Related	Non-Insurance and Consumer Regulatory Related	Description	Rule/Regulation
269		.8 – Joint ownership accounts		X		§ 745.8 Joint ownership accounts. (a) Separate insurance coverage. Qualifying joint accounts, whether owned as joint tenants with right of survivorship, as tenants by the entireties, as tenants in common, or by husband and wife as community property, shall be insured separately from accounts individually owned by any of the co-owners. The interest of a co-owner in all qualifying joint accounts shall be added together and the total for that co-owner shall be insured up to the SMSIA. (b) Determination of insurance coverage. The interests of each co-owner in all qualifying joint accounts shall be added together and the total shall be insured up to the SMSIA. (Example: “A&B” have a qualifying joint account with a balance of $150,000; “A&C” have a qualifying joint account with a balance of $200,000; and “A&B&C” have a qualifying joint account with a balance of $375,000. A’s combined ownership interest in all qualifying joint accounts would be $300,000 ($75,000 plus $100,000 plus $125,000); therefore, A’s interest would be insured in the amount of $250,000 and uninsured in the amount of $50,000. B’s combined ownership interest in all qualifying joint accounts would be $200,000 ($75,000 plus $125,000); therefore, B’s interest would be fully insured. C’s combined ownership interest in all qualifying joint accounts would be $225,000 ($100,000 plus $125,000); therefore, C’s interest would be fully insured. (c) Qualifying joint accounts. A joint account is a qualifying joint account if each of the co-owners has personally signed a membership or account signature card and has a right of withdrawal on the same basis as the other co-owners. The signature requirement does not apply to share certificates, or to any accounts maintained by an agent, nominee, guardian, custodian or conservator on behalf of two or more persons if the records of the credit union properly reflect that the account is so maintained. (d) Failure to qualify. A joint account that does not meet the requirements for a qualifying joint account shall be treated as owned by the named persons as individuals and the actual ownership interest of each such person in such account shall be added to any other accounts individually owned by such person and insured up to the SMSIA in the aggregate. An account will not fail to qualify as a joint account if a joint owner is a minor and applicable state law limits or restricts a minor’s withdrawal rights. (e) Nonmember joint owners. A nonmember may become a joint owner with a member on a joint account with right of survivorship. The nonmember’s interest in such accounts will be insured in the same manner as the member joint-owner’s interest.
270		.9-1 Trust accounts		X		§ 745.9–1 Trust accounts. (a) For purposes of this section, ‘‘trust’’ refers to an irrevocable trust. (b) All trust interests (as defined in subsection 745.2(d) (4)), for the same beneficiary, deposited in an account and established pursuant to valid trust agreements created by the same settlor (grantor) shall be added together and insured up to the SMSIA in the aggregate, separately from other accounts of the trustee of such trust funds or the settlor or beneficiary of such trust arrangements. (c) This section applies to trust interests created in Coverdell Education Savings Accounts, formerly Education IRAs, established in connection with section 530 of the Internal Revenue Code (26 U.S.C. 530).
271		.9-2 Retirement and other employee benefit plan accounts		X		§ 745.9–2 Retirement and other employee benefit plan accounts. (a) Pass-through share insurance. Any shares of an employee benefit plan in an insured credit union shall be insured on a ‘‘pass-through’’ basis, in the amount of up to the SMSIA for the non-contingent interest of each plan participant, in accordance with § 745.2 of this part. An insured credit union that is not ‘‘well capitalized’’ or ‘‘adequately capitalized, ‘‘as those terms are defined in 12 U.S.C. 1790d(c), may not accept employee benefit plan deposits. The terms ‘‘employee benefit plan’’ and ‘‘pass through share insurance’’ are given the same meaning in this section as in 12 U.S.C. 1787(k)(4). (b) Treatment of contingent interests. In the event that participants’ interests in an employee benefit plan are not capable of evaluation in accordance with the provisions of this section, or an account established for any such plan includes amounts for future participants in the plan, payment by the NCUA with respect to all such interests shall not exceed the SMSIA in the aggregate. (c)(1) Certain retirement accounts. Shares in an insured credit union made in connection with the following types of retirement plans shall be aggregated and insured in the amount of up to $250,000 (which amount shall be subject to inflation adjustments as provided under section 11(a) (1)(F) of the Federal Deposit Insurance Act, except that $250,000 shall be substituted for $100,000 wherever such term appears in such section) per account: (i) Any individual retirement account described in section 408(a) (IRA) of the Internal Revenue Code (26 U.S.C. 408(a)) or similar provisions of law applicable to a U.S. territory or possession; (ii) Any individual retirement account described in section 408A (Roth IRA) of the Internal Revenue Code (26 U.S.C. 408A) or similar provisions of law applicable to a U.S. territory or possession; and (iii) Any plan described in section 401(d) (Keogh account) of the Internal Revenue Code (26 U.S.C. 401(d)) or similar provisions of law applicable to a U.S. territory or possession. (2) Insurance coverage for the accounts enumerated in paragraph (c)(1) of this section is based on the present vested ascertainable interest of a participant or designated beneficiary. For insurance purposes, IRA and Roth IRA accounts will be combined together and insured in the aggregate up to $250,000 (which amount shall be subject to inflation adjustments as provided under section 11(a) (1)(F) of the Federal Deposit Insurance Act, except that $250,000 shall be substituted for $100,000 wherever such term appears in such section). A Keogh account will be separately insured from an IRA account, Roth IRA account or, where applicable, aggregated IRA and Roth IRA accounts.
272		.10 – Accounts held by government depositors		X		§ 745.10 Accounts held by government depositors. (a) Public funds invested in Federal credit unions and federally-insured state credit unions authorized to accept such investments shall be insured as follows: (1) Each official custodian of funds of the United States lawfully investing the same in a federally-insured credit union will be separately insured in the amount of: (i) Up to the SMSIA in the aggregate for all share draft accounts; and (ii) Up to the SMSIA in the aggregate for all share certificate and regular share accounts; (2) Each official custodian of funds of any state of the United States or any county, municipality, or political subdivision thereof lawfully investing the same in a federally-insured credit union in the same state will be separately insured in the amount of: (i) Up to the SMSIA in the aggregate for all share draft accounts; and (ii) Up to the SMSIA in the aggregate for all share certificate and regular share accounts; (3) Each official custodian of funds of the District of Columbia lawfully investing the same in a federally insured credit union in the District of Columbia will be separately insured in the amount of: (i) Up to the SMSIA in the aggregate for all share draft accounts; and (ii) Up to the SMSIA in the aggregate for all share certificate and regular share accounts; (4) Each official custodian of funds of the Commonwealth of Puerto Rico, the Panama Canal Zone, or any territory or possession of the United States, or any county, municipality, or political subdivision thereof lawfully investing the same in a federally-insured credit union in Puerto Rico, the Panama Canal Zone, or any such territory or possession, respectively, will be separately insured in the amount of: (i) Up to the SMSIA in the aggregate for all share draft accounts; and (ii) Up to the SMSIA in the aggregate for all share certificate and regular share accounts; (5) Each official custodian of tribal funds of any Indian tribe (as defined in section 3(c) of the Indian Financing Act of 1974) or agency thereof lawfully investing the same in a federally-insured credit union will be separately insured in the amount of: (i) Up to the SMSIA in the aggregate for all share draft accounts; and (ii) Up to the SMSIA in the aggregate for all share certificate and regular share accounts; (b) Each official custodian referred to in paragraphs (a)(2), (3), and (4) of this section lawfully investing such funds in share accounts in a federally-insured credit union outside of their respective jurisdictions shall be separately insured up to the SMSIA in the aggregate for all such accounts regardless of whether they are share draft, share certificate or regular share accounts. (c) For purposes of this section, if the same person is an official custodian of more than one public unit, he shall be separately insured with respect to the public funds held by him for each such unit, but he shall not be separately insured with respect to all public funds of the same public unit by virtue of holding different offices in such unit or by holding such funds for different purposes. Where an officer, agent or employee of a public unit has custody of certain funds which by law or under a bond indenture are required to be set aside to discharge a debt owed to the holders of notes or bonds issued by the public unit, any investment of such funds in an account in a federally insured credit union will be deemed to be a share account established by a trustee of trust funds of which the note holders or bondholders are pro rata beneficiaries, and the beneficial interest of each note holder or bondholder in the share account will be separately insured up to the SMSIA. (d) For purposes of this section, ‘‘lawfully investing’’ means pursuant to the statutory or regulatory authority of the custodian or public unit.

#	NCUA Regulation	Part	Insurance Regulatory Related	Non-Insurance and Consumer Regulatory Related	Description	Rule/Regulation
273		.11 – Accounts evidenced by negotiable instruments		X		§ 745.11 Accounts evidenced by negotiable instruments. If any insured account obligation of a credit union is evidenced by a negotiable certificate account, negotiable draft, negotiable cashier's or officer's check, negotiable certified check, or negotiable traveler's check or letter of credit, the owner of such account obligation will be recognized for all purposes of a claim for insured accounts to the same extent as if his name and interest were disclosed on the records of the credit union provided the instrument was in fact negotiated to such owner prior to the date of the closing of the credit union. Affirmative proof of such negotiation must be offered in all cases to substantiate the claim.
274		.12 – Accounts obligations for payment of items forwarded for collection by depository institution acting as agent		X		§ 745.12 Account obligations for payment of items forwarded for collection by depository institution acting as agent. Where a closed credit union has become obligated for the payment of items forwarded for collection by a depository institution acting solely as agent, the owner of such items will be recognized for all purposes of a claim for insured accounts to the same extent as if his name and interest were disclosed on the records of the credit union when such claim for insured accounts, if otherwise payable, has been established by the execution and delivery of prescribed forms. Such depository institution forwarding such items for the owners thereof will be recognized as agent for such owners for the purpose of making an assignment of the rights of such owners against the closed insured credit union to the Board and for the purpose of receiving payment on behalf of such owners.
275		.13 – Notification to members/ shareholders		X		§ 745.13 Notification to members/ shareholders. Each insured credit union shall provide notice to its members concerning NCUA insurance coverage of member accounts. This may be accomplished by placing either a copy of Part 745 of these rules, the appendix, or one or more copies of the NCUA brochure ''Your Insured Funds'' in each branch office and main office of the credit union. Copies of these materials shall also be made available to members upon request. For purposes of this section, an automated teller machine or point of sale terminal is not a branch office. Subpart B—Payment of Share Insurance and Appeals
276	**Subpart B – Payment of Share Insurance and Appeals**					
277		.200 – General				§ 745.200 General. (a) Payment. In the event of the liquidation of an insured credit union, the Board will promptly determine the insured accountholders thereof and the amount of the insured account or accounts of each such accountholder. Payment may be in cash, or its equivalent, or may be made by making available to each accountholder a transferred account in a new federally-insured credit union in the same community or in another federally-insured credit union or institution in an amount equal to the accountholder's insured account. Notwithstanding the foregoing, the Board may withhold payment of such portion of the insured account of any member as may be required to provide for payment of any direct or indirect liability to the closed credit union or the liquidating agent, which is not offset against a claim due from such credit union, pending the determination and payment of such liability by the member or any person liable therefore. (b) Amount of insurance. The amount of insurance on an insured account shall be determined in accordance with the provisions of Subpart A of this part and the Federal Credit Union Act. For the purpose of determining insurance coverage, dividends earned in the ordinary course of business and posted to share accounts for any prior accounting or dividend period shall be deemed to be principal under this part. Dividends earned or accrued in the ordinary course of business, but not posted to share accounts, may be paid at the discretion of the liquidating agent. In making such determination, the liquidating agent will take into consideration whether the failure to post dividends earned or accrued was due to the fraud, embezzlement or accounting errors of credit union personnel. The liquidating agent may require an accountholder to submit documentation supporting any claim for unposted dividends not otherwise evidenced in the credit union records. However, in no event will dividend amounts be considered as principal for insurance purposes pursuant to this section if not consistent with the amounts paid on similar classes of shares. (c) Multiple accounts. In the event an insured member holds more than one insured account in the same capacity, and the aggregate amount of such accounts (including share draft accounts held in such capacity) exceeds the amount of insurance afforded thereon, the insurance coverage will be prorated among the member's interest in all accounts held in the same capacity. In the case of individual accounts, the insurance proceeds shall be paid to the holder of the account, whether or not the holder is the beneficial owner. In the case of accounts which are owned jointly, the insurance proceeds shall be paid to the owners jointly. In the case of trust estates, the insurance proceeds shall be paid to the indicated trustee unless otherwise provided for in the trust instrument or under state law. In the case of corporations, partnerships and unincorporated associations engaged in an independent activity, the insurance proceeds shall be paid to the indicated holder of the account. Where insurance payment is in the form of a transferred account to another insured institution, the same rules shall be applied. (d) Computing time. In computing any period of time prescribed by this subpart, the provisions of § 747.12(a) shall apply.
278		.201 – Processing of insurance claims		X		§ 745.201 Processing of insurance claims. (a) Delegations of authority. The Agent for the Liquidating Agent (''Liquidating Agent'') or his or her designee is authorized to make initial determinations with respect to insurance claims pursuant to the principles set forth in this Part, and to act on requests for reconsideration of the initial determination. (b) Initial determination. In the event the Liquidating Agent determines that all or a portion of an accountholder's account is uninsured, the Liquidating Agent shall so notify the accountholder in writing, stating the reason(s) for such initial determination, and shall provide the accountholder with a certificate of claim in liquidation in the amount of the uninsured account from the Board in its capacity as Liquidating Agent for the insured credit union to enable the accountholder to share in the proceeds of the liquidation of the credit union, if any, up to the amount of the uninsured account. (c) Request for Reconsideration. An accountholder may, at his or her option, request reconsideration from the Liquidating Agent of the initial determination within 30 days of the date of the initial determination, or directly appeal the initial determination to the Board pursuant to § 745.202 of this subpart. The Liquidating Agent shall act on the request for reconsideration within 30 days from its receipt.
279		.202 – Appeal		X		§ 745.202 Appeal. (a) Time for filing. Within 60 days after issuance of an initial determination, or of the determination on a request for reconsideration by the liquidating agent, the accountholder may appeal by filing with the Board a written request for appeal. The appeal may be filed with the Secretary of the Board, National Credit Union Administration, 1775 Duke Street, Alexandria, VA 22314–3428. (b) Content of request. Any appeal must include: (1) a statement of the facts on which the claim for insurance is based; (2) a statement of the basis for the initial determination or determination on the request for reconsideration to which the accountholder objects and the alleged error in such determination, including citations to applicable statutes and regulations; (3) any other evidence relied upon by the accountholder which was not previously provided to the Liquidating Agent. (c) Procedures for review of request. (1) Within 60 days of the date of the Board's receipt of an appeal, the Board may request in writing that the accountholder submit additional facts and records in support of its request. The account-holder shall have 45 days from the date of issuance of such written request to provide such additional information. Failure by the accountholder to provide additional information may, as determined solely by the Board, result in denial of the account-holder's appeal. (2) Within 60 days from the date of the Board's receipt of an appeal, the accountholder may amend or

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						supplement the request in writing. In the event that the accountholder does amend or supplement the request, the provisions of paragraph (c)(1) of this section with respect to requests for additional information and responses to such requests shall apply with equal force to any such amendment or supplement to a request. (d) Determination on appeal. (1) Within 180 days from the date of the receipt of an appeal by the Board, the Board shall issue a decision determining the extent of the accountholder's insurance pursuant to the rules of this Part. (2) The determination by the Board on appeal shall be provided to the accountholder in writing, stating the reason(s) for the determination, and shall constitute a final Agency order regarding the accountholder's claim for insurance. (3) If the Board determines that the account-holder is entitled to the amount of insurance claimed or portion thereof, upon payment of such insurance the accountholder shall promptly surrender to the Board the certificate of claim in liquidation provided in connection with the initial determination. In the event that the Board determines that the accountholder is only entitled to a portion of the amount of insurance claimed, upon the accountholder's surrender of such certificate a new certificate of claim in liquidation will be provided which reflects the revised amount of the uninsured account. (4) Failure by the Board to issue a determination on appeal of the accountholder's claim for insurance within the 180-day period provided for under this paragraph (d)(1) shall be deemed to be a denial of such claim for purposes of Section 745.203 of this subpart.
280		.203 Judicial review		X		§ 745.203 Judicial review. (a) For purposes of seeking judicial review of actions taken pursuant to this subpart, only a determination on appeal issued by the Board pursuant to Section 745.202 of this subpart shall constitute a final determination regarding an accountholder's claim for insurance. (b) Failure to file an appeal with regard to an initial determination, or a decision rendered on a request for reconsideration within the applicable time periods shall constitute a failure by the accountholder to exhaust available administrative remedies and, due to such failure, any objections to the initial determination or request for reconsideration shall be deemed to be waived and such determination shall be deemed to have been accepted by, and binding upon, the accountholder. (c) Final determination by the Board is reviewable in accordance with the provisions of Chapter 7, Title 5, United States Code, by the United States district court for the Federal judicial district where the credit union's principal place of business is located. Such action must be filed not later than 60 days after such final determination is ordered.
281	**§748 – Security Program, Report of Suspected Crimes, Suspicious Transactions, Catastrophic Acts, and Bank Secrecy Act Compliance**	**.0 – Security program.**			**This section addresses the requirement for insured credit unions to comply with the Bank Secrecy Act (BSA).**	
282		.1 Filing of reports.		X		§ 748.1 Filing of reports. (a) The president or managing official of each federally insured credit union must certify compliance with the requirements of this Part in its Credit Union Profile annually. Credit unions that cannot update their profile online must certify compliance in writing in accordance with the instructions on NCUA Form 4501 or its equivalent. The credit union president or managing official must sign and date the written certification. (b) Catastrophic act report. Each federally insured credit union will notify the regional director within 5 business days of any catastrophic act that occurs at its office(s). A catastrophic act is any disaster, natural or otherwise, resulting in physical destruction or damage to the credit union or causing an interruption in vital member services, as defined in §749.1 of this chapter, projected to last more than two consecutive business days. Within a reasonable time after a catastrophic act occurs, the credit union shall ensure that a record of the incident is prepared and filed at its main office. In the preparation of such record, the credit union should include information sufficient to indicate the office where the catastrophic act occurred; when it took place; the amount of the loss, if any; whether any operational or mechanical deficiency(ies) might have contributed to the catastrophic act; and what has been done or is planned to be done to correct the deficiency(ies). (c) Suspicious Activity Report. A credit union must file a report if it knows, suspects, or has reason to suspect that any crime or any suspicious transaction related to money laundering activity or a violation of the Bank Secrecy Act has occurred. For the purposes of this paragraph (c) credit union means a federally-insured credit union and official means any member of the board of directors or a volunteer committee. (1) Reportable activity. Transaction for purposes of this paragraph means a deposit, withdrawal, transfer between accounts, exchange of currency, loan, extension of credit, purchase or sale of any stock, bond, share certificate, or other monetary instrument or investment security, or any other payment, transfer, or delivery by, through, or to a financial institution, by whatever means effected. A credit union must report any known or suspected crime or any suspicious transaction related to money laundering or other illegal activity, for example, terrorism financing, loan fraud, or embezzlement, or a violation of the Bank Secrecy Act by sending a completed suspicious activity report (SAR) to the Financial Crimes Enforcement Network (FinCEN) in the following circumstances: (i) Insider abuse involving any amount. Whenever the credit union detects any known or suspected Federal criminal violations, or pattern of criminal violations, committed or attempted against the credit union or involving a transaction or transactions conducted through the credit union, where the credit union believes it was either an actual or potential victim of a criminal violation, or series of criminal violations, or that the credit union was used to facilitate a criminal transaction, and the credit union has a substantial basis for identifying one of the credit union's officials, employees, or agents as having committed or aided in the commission of the criminal violation, regardless of the amount involved in the violation; (ii) Transactions aggregating $5,000 or more where a suspect can be identified. Whenever the credit union detects any known or suspected Federal criminal violation, or pattern of criminal violations, committed or attempted against the credit union or involving a transaction or transactions conducted through the credit union, and involving or aggregating $5,000 or more in funds or other assets, where the credit union believes it was either an actual or potential victim of a criminal violation, or series of criminal violations, or that the credit union was used to facilitate a criminal transaction, and the credit union has a substantial basis for identifying a possible suspect or group of suspects. If it is determined before filing this report that the identified suspect or group of suspects has used an alias, then information regarding the true identity of the suspect or group of suspects, as well as alias identifiers, such as drivers' licenses or social security numbers, addresses and telephone numbers, must be reported; iii) Transactions aggregating $25,000 or more regardless of potential suspects. Whenever the credit union detects any known or suspected Federal criminal violation, or pattern of criminal violations, committed or attempted against the credit union or involving a transaction or transactions conducted through the credit union, involving or aggregating $25,000 or more in funds or other assets, where the credit union believes it was either an actual or potential victim of a criminal violation, or series of criminal violations, or that the credit union was used to facilitate a criminal transaction, even though the credit union has no substantial basis for identifying a possible suspect or group of suspects; or (iv) Transactions aggregating $5,000 or more that involve potential money laundering or violations of the Bank Secrecy Act. Any transaction conducted or attempted by, at or through the credit union and involving or aggregating $5,000 or more in funds or other assets, if the credit union knows, suspects, or has reason to suspect: (A) The transaction involves funds derived from illegal activities or is intended or

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						conducted in order to hide or disguise funds or assets derived from illegal activities (including, without limitation, the ownership, nature, source, location, or control of such funds or assets) as part of a plan to violate or evade any Federal law or regulation or to avoid any transaction reporting requirement under Federal law; (B) The transaction is designed to evade any regulations promulgated under the Bank Secrecy Act; or (C) The transaction has no business or apparent lawful purpose or is not the sort of transaction in which the particular member would normally be expected to engage, and the credit union knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction. (v) Exceptions. A credit union is not required to file a SAR for a robbery or burglary committed or attempted that is reported to appropriate law enforcement authorities, or for lost, missing, counterfeit, or stolen securities and the credit union files a report pursuant to the reporting requirements of 17 CFR 240.17f-1. (2) Filing Procedures. (i) Timing. A credit union must file a SAR with FinCEN no later than 30 calendar days from the date the suspicious activity is initially detected, unless there is no identified suspect on the date of detection. If no suspect is identified on the date of detection, a credit union may use an additional 30 calendar days to identify a suspect before filing a SAR. In no case may a credit union take more than 60 days from the date it initially detects a reportable transaction to file a SAR. In situations involving violations requiring immediate attention, such as ongoing money laundering schemes, a credit union must immediately notify, by telephone, an appropriate law enforcement authority and its supervisory authority, in addition to filing a SAR.(ii) Content. A credit union must complete, fully and accurately, SAR form TDF 90-22.47, Suspicious Activity Report (also known as NCUA Form 2362) in accordance with the form's instructions and 31 CFR Part 103.18. A copy of the SAR form may be obtained from the credit union resources section of NCUA's Website, http:// www.ncua.gov, or the regulatory section of FinCEN's Website, http://www.fincen.gov. These sites include other useful guidance on SARs, for example, forms and filing instructions, Frequently Asked Questions, and the FFIEC Bank Secrecy Act/Anti-Money Laundering Examination Manual. (iii) Compliance. Failure to file a SAR as required by the form's instructions and 31 CFR Part 103.18 may subject the credit union, its officials, employees, and agents to the assessment of civil money penalties or other administrative actions. (3) Retention of Records. A credit union must maintain a copy of any SAR that it files and the original or business record equivalent of all supporting documentation to the report for a period of five years from the date of the report. Supporting documentation must be identified and maintained by the credit union as such. Supporting documentation is considered a part of the filed report even though it should not be actually filed with the submitted report. A credit union must make all supporting documentation available to appropriate law enforcement authorities and its regulatory supervisory authority upon request. (4) Notification to board of directors. (i) Generally. The management of the credit union must promptly notify its board of directors, or a committee designated by the board of directors to receive such notice, of any SAR filed. (ii) Suspect is a director or committee member. If a credit union files a SAR and the suspect is a director or member of a committee designated by the board of directors to receive notice of SAR filings, the credit union may not notify the suspect, pursuant to 31 U.S.C. 5318(g) PART 748 report of crime or catastrophic act MARCH 2010 748-3 § 748.2 (2), but must notify the remaining directors, or designated committee members, who are not suspects. (5) Confidentiality of reports. SARs are confidential. Any credit union, including its officials, employees, and agents, subpoenaed or otherwise requested to disclose a SAR or the information in a SAR must decline to produce the SAR or to provide any information that would disclose that a SAR was prepared or filed, citing this part, applicable law, for example, 31 U.S.C. 5318(g), or both, and notify NCUA of the request. A credit union must make the filed report and all supporting documentation available to appropriate law enforcement authorities and its regulatory supervisory authority upon request. (6) Safe Harbor. Any credit (union, including its officials, employees, and agents, that makes a report of suspected or known criminal violations and suspicious activities to law enforcement and financial institution supervisory authorities, including supporting documentation, are protected from liability for any disclosure in the report, or for failure to disclose the existence of the report, or both, to the full extent provided by 31 U.S.C. 5318(g)(3). This protection applies if the report is filed pursuant to this part or is filed on a voluntary basis.
283		.2 – Procedures for monitoring Bank Secrecy Act (BSA) compliance.		X		§ 748.2 Procedures for monitoring Bank Secrecy Act (BSA) compliance. (a) Purpose. This section is issued to ensure that all federally-insured credit unions establish and maintain procedures reasonably designed to assure and monitor compliance with the requirements of subchapter II of chapter 53 of title 31, United States Code, the Financial Appendix A to Part 748—Guidelines for Safeguarding Member Information Table of Contents I. Introduction A. Scope, B. Definitions, II. Guidelines for Safeguarding Member Information, A. Information Security Program, B. Objectives, III. Development and Implementation of Member Information Security Program, A. Involve the Board of Directors, B. Assess Risk, C. Manage and Control Risk, D. Oversee Service Provider Arrangements, E. Adjust the Program, F. Report to the Board, G. Implement the Standards, I. Introduction. The Guidelines for Safeguarding Member Information (Guidelines) set forth standards pursuant to sections 501 and 505(b), codified at 15 U.S.C. 6801 and 6805(b), of the Gramm-Leach-Bliley Act. These Guidelines provide guidance standards for developing and implementing administrative, technical, and physical safeguards to protect the security, confidentiality, and integrity of member information. These Guidelines also address standards with respect to the proper disposal of consumer information pursuant to sections 621(b) and 628 of the Fair Credit Reporting Act (15 U.S.C. 1681s(b) and 1681w). A. Scope. The Guidelines apply to member information maintained by or on behalf of federally-insured credit unions. Such entities are referred to in this appendix as Recordkeeping and Reporting of Currency and Foreign Transactions Act, and the implementing regulations promulgated there under by the Department of Treasury, 31 CFR part 103. (b) Establishment of a BSA compliance program— (1) Program requirement. Each federally-insured credit union shall develop and provide for the continued administration of a program reasonably designed to assure and monitor compliance with the recordkeeping and recording requirements set forth in subchapter II of chapter 53 of title 31, United States Code and the implementing regulations issued by the Department of the Treasury at 31 CFR part 103. The compliance program must be written, approved by the credit union's board of directors, and reflected in the minutes of the credit union. (2) Customer identification program. Each federally insured credit union is subject to the requirements of 31 U.S.C. 5318(l) and the implementing regulation jointly promulgated by the NCUA and the Department of the Treasury at 31 CFR 103.121, which require a customer identification program to be implemented as part of the BSA compliance program required under this section. (c) Contents of compliance program. Such compliance program shall at a minimum— (1) Provide for a system of internal controls to assure ongoing compliance; (2) Provide for independent testing for compliance to be conducted by credit union personnel or outside parties; (3) Designate an individual responsible for coordinating and monitoring day-to-day compliance; and (4) Provide training for appropriate personnel.
284	§749 – Records Preservation Program	.0 – Purpose and Scope			This part addresses the requirements of and best practices of preserving the records of the credit union.	§ 749.0 Purpose and scope. (a) This part describes the obligations of all federally insured credit unions to maintain a records preservation program to identify, store and reconstruct vital records in the event that the credit union's records are destroyed and provides recommendations for restoring vital member services. All credit unions must have a written program that includes plans for safeguarding records and reconstructing vital records. To complement these plans, it is recommended a credit union develop a method for restoring vital member services in the event of a catastrophic act as defined in § 748.1(b) of this chapter. Additionally, the regulation establishes flexibility in the format credit unions may use for maintaining writings, records or information required by other NCUA regulations. (b) Appendix A to this part provides guidance concerning the appropriate length of time credit unions should retain various types of operational records. Appendix B to this part also provides guidance for developing a program for responding to a catastrophic act to ensure duplicate vital records can be used for restoration of vital member services.
285		.1 – Definitions				§ 749.1 Definitions. For purposes of this part: Vital member services mean informational account inquiries, share withdrawals and deposits, and loan payments and disbursements. Vital records refer to the following records:(a) A list of share, deposit, and loan balances for each member's account as of the close of the most recent business day that: (1) Shows each balance individually identified by a name or number; (2) Lists multiple loans of one account separately; and (3) Contains information sufficient to enable the credit union to locate each member, such

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						as address and telephone number. (b) A financial report, which lists all of the credit union's asset and liability accounts and bank reconcilements, current as of the most recent month-end. (c) A list of the credit union's accounts at financial institutions, insurance policies, and investments along with related contact information, current as of the most recent month-end.(d) Emergency contact information for employees, officials, regulatory offices, and vendors used to support vital records.
286		.2 – Vital records preservation program	X			§ 749.2 Vital records preservation program. The board of directors of a credit union is responsible for establishing a vital records preservation program within 6 months after its insurance certificate is issued. The program must be in writing and contain procedures for maintaining duplicate vital records at a vital records center. The procedures must include: designated staff responsible for vital records preservation, a schedule for the storage and destruction of records, and a records preservation log detailing for each record stored, its name, storage location, storage date, and name of the person sending the record for storage. It is recommended credit unions include in these procedures a method for using duplicate records to restore vital member services in the event of catastrophic act. Credit unions which have some or all of their records maintained by an off-site data processor are considered to be in compliance for the storage of those records if the service agreement specifies the data processor safeguards against the simultaneous destruction of production and back-up information.
287		.3 – Vital records center	X			§ 749.3 Vital records center. A vital records center is defined as a storage facility, which may include another federally-insured credit union, at any location far enough from the credit union's offices to avoid the simultaneous loss of both sets of records in the event of a catastrophic act. A credit union must maintain or contract with a third party to maintain any equipment or software for its vital records center necessary to access records.
288		.4- Format for vital records preservation	X			§ 749.4 Format for vital records preservation. Preserved records may be in any format that can be used to reconstruct the credit union's records. The format Part 749 Records Preservation Program And Appendices- Record Retention Guidelines; Catastrophic Act Preparedness Guidelines used must accurately reflect the information in the record, remain accessible to all persons entitled to access by statute, regulation or rule of law, and be capable of reproduction by transmission, printing, or otherwise.
289		.5 – Format for records required by other NCUA regulations	X			§ 749.5 Format for records required by other NC UA regulations. Where NCUA regulations require credit unions to retain certain writings, records or information, credit unions may use any format that accurately reflects the information in the record, is accessible to all persons entitled to access by statute, regulation or rule of law, and is capable of being reproduced by transmission, printing, or otherwise. The credit union must maintain the necessary equipment or software to permit an examiner to access the records during the examination process.
290	**§Part 760- Loans In Areas Having Special Flood Hazards**	**.1 – Authority, Purpose and Scope**			**This section deals with the requirement for flood insurance where required. The obtaining of flood insurance, and proper determination of the requirement for flood insurance, protects the member's property and the credit unions collateral.**	§ 760.1 Authority, purpose, and scope. (a) Authority. This part is issued pursuant to 12 U.S.C. 1757, 1789 and 42 U.S.C. 4012a, 4104a, 4104b, 4106, 4128. (b) Purpose. The purpose of this part is to implement the requirements of the National Flood Insurance Act of 1968 and the Flood Disaster Protection Act of 1973, as amended (42 U.S.C. 4001–4129). (c) Scope. This part, except for §§ 760.6 and 760.8, applies to loans secured by buildings or mobile homes located or to be located in areas determined by the Director of the Federal Emergency Management Agency to have special flood hazards. Sections 760.6 and 760.8 apply to loans secured by buildings or mobile homes, regardless of location.
291		.2 – Definitions				§ 760.2 Definitions. (a) Act means the National Flood Insurance Act of 1968, as amended (42 U.S.C. 4001–4129). (b) Credit union means a Federal or State-chartered credit union that is insured by the National Credit Union Share Insurance Fund. (c) Building means a walled and roofed structure, other than a gas or liquid storage tank, that is principally above ground and affixed to a permanent site, and a walled and roofed structure while in the course of construction, alteration, or repair. (d) Community means a State or a political subdivision of a State that has zoning and building code jurisdiction over a particular area having special flood hazards. (e) Designated loan means a loan secured by a building or mobile home that is located or to be located in a special flood hazard area in which flood insurance is available under the Act. (f) Director of FEMA means the Director of the Federal Emergency Management Agency. (g) Mobile home means a structure, transportable in one or more sections, that is built on a permanent chassis and designed for use with or without a permanent foundation when attached to the required utilities. The term mobile home does not include a recreational vehicle. For purposes of this part, the term mobile home means a mobile home on a permanent foundation. The term mobile home means a manufactured home as that term is used in the NFIP. (h) NFIP means the National Flood Insurance Program authorized under the Act. (i) Residential improved real estate means real estate upon which a home or other residential building is located or to be located. (j) Servicer means the person responsible for: (1) Receiving any scheduled, periodic payments from a borrower under the terms of a loan, including amounts for taxes, insurance premiums, and other charges with respect to the property securing the loan; and (2) Making payments of principal and interest and any other payments from the amounts received from the borrower as may be required under the terms of the loan. (k) Special flood hazard area means the land in the flood plain within a community having at least a one percent chance of flooding in any given year, as designated by the Director of FEMA. (l) Table funding means a settlement at which a loan is funded by a contemporaneous advance of loan funds and an assignment of the loan to the person advancing the funds.
292		.3 – Requirement to purchase flood insurance where available.		X		§ 760.3 Requirement to purchase flood insurance where available. (a) In general. A credit union shall not make, increase, extend, or renew any designated loan unless the building or mobile home and any personal property securing the loan is covered by flood insurance for the term of the loan. The amount of insurance must be at least equal to the lesser of the outstanding principal balance of the designated loan or the maximum limit of coverage available for the particular type of property under the Act. Flood insurance coverage under the Act is limited to the overall value of the property securing the designated loan minus the value of the land on which the property is located. (b) Table funded loan. A credit union that acquires a loan from a mortgage broker or other entity through table funding shall be considered to be making a loan for the purposes of this part.
293		.4 – Exemptions		X		§ 760.4 Exemptions. The flood insurance requirement prescribed by §760.3 does not apply with respect to: (a) Any State-owned property covered under a policy of self-insurance satisfactory to the Director of FEMA, who publishes and periodically revises the list of States falling within this exemption; or insurance in an amount less than the amount required under § 760.3, then the credit union or its servicer shall notify the borrower that the borrower should obtain flood insurance, at the borrower's expense, in an amount at least equal to the amount required under § 760.3, for the remaining term of the loan. If the borrower fails to obtain flood insurance within 45 days after notification, then the credit union or its servicer shall purchase insurance on the borrower's behalf. The credit union or its servicer may charge the borrower for the cost of premiums and fees incurred in purchasing the insurance.

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294		.5 –Escrow Requirement		X		§ 760.5 Escrow requirement. If a credit union requires the escrow of taxes, insurance premiums, fees, or any other charges for a loan secured by residential improved real estate or a mobile home that is made, increased, extended, or renewed on or after November 1, 1996, the credit union shall also require the escrow of all premiums and fees for any flood insurance required under § 760.3. The credit union, or a servicer acting on behalf of the credit union, shall deposit the flood insurance premiums on behalf of the borrower in an escrow account. This escrow account will be subject to escrow requirements adopted pursuant to section 10 of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2609) (RESPA), which generally limits the amount that may be maintained in escrow accounts for certain types of loans and requires escrow account statements for those accounts, only if the loan is otherwise subject to RESPA. Following receipt of a notice from the Director of FEMA or other provider of flood insurance that premiums are due, the credit union, or a servicer acting on behalf of the credit union, shall pay the amount owed to the insurance provider from the escrow account by the date when such premiums are due.
295		.6 – Required use of standard flood hazard determination form.		X		§ 760.6 Required use of standard flood hazard determination form. (a) Use of form. A credit union shall use the standard flood hazard determination form developed by the Director when determining whether the building or mobile home offered as collateral security for a loan is or will be located in a special flood hazard area in which flood insurance is available under the Act. The standard flood hazard determination form may be used in a printed, computerized, or electronic manner. A credit union may obtain the standard flood hazard determination form from FEMA, P.O. Box 2012, Jessup, MD 20794–2012. (b) Retention of form. A credit union shall retain a copy of the completed standard flood hazard determination form, in either hard copy or electronic form, for the period of time the credit union owns the loan.
296		.7 – Forced placement of flood insurance.		X		§ 760.7 Forced placement of flood insurance. If a credit union, or a servicer acting on behalf of the credit union, determines at any time during the term of a designated loan that the building or mobile home and any personal property securing the designated loan is not covered by flood insurance, or is covered by flood hazard area, the credit union shall mail or deliver a written notice to the borrower and to the servicer in all cases whether or not flood insurance is available under the Act for the collateral securing the loan. (b) Contents of notice. The written notice must include the following information: (1) A warning, in a form approved by the Director of FEMA, that the building or the mobile home is or will be located in a special flood hazard area; (2) A description of the flood insurance purchase requirements set forth in section 102(b) of the Flood Disaster Protection Act of 1973, as amended (42 U.S.C. 4012a(b)); (3) A statement, where applicable, that flood insurance coverage is available under the NFIP and may also be available from private insurers; and (4) A statement whether Federal disaster relief assistance may be available in the event of damage to the building or mobile home caused by flooding in a Federally-declared disaster. (c) Timing of notice. The credit union shall provide the notice required by paragraph (a) of this section to the borrower within a reasonable time before the completion of the transaction and to the servicer as promptly as practicable after the credit union provides notice to the borrower and in any event no later than the time the credit union provides other similar notices to the servicer concerning hazard insurance and taxes. Notice to the servicer may be made electronically or may take the form of a copy of the notice to the borrower. (d) Record of receipt. The credit union shall retain a record of the receipt of the notices by the borrower and the servicer for the period of time the credit union owns the loan. (e) Alternate method of notice. Instead of providing the notice to the borrower required by paragraph (a) of this section, a credit union may obtain satisfactory written assurance from a seller or lessor that, within a reasonable time before the completion of the sale or lease transaction, the seller or lessor has provided such notice to the purchaser or lessee. The credit union shall retain a record of the written assurance from the seller or lessor for the period of time the credit union owns the loan. (f) Use of prescribed form of notice. A credit union will be considered to be in compliance with the requirement for notice to the borrower of this section providing written notice to the borrower containing the language presented in the appendix to this part within a reasonable time before the completion of the transaction. The notice presented in the appendix to this part satisfies the borrower notice requirements of the Act.
297		.8 – Determination fees.		X		§ 760.8 Determination fees. (a) General. Notwithstanding any Federal or State law other than the Flood Disaster Protection Act of 1973, as amended (42 U.S.C. 4001–4129), any credit union, or a servicer acting on behalf of the credit union, may charge a reasonable fee for determining whether the building or mobile home securing the loan is located or will be located in a special flood hazard area. A determination fee may also include, but is not limited to, a fee for life-of-loan monitoring. (b) Borrower fee. The determination fee authorized by paragraph (a) of this section may be charged to the borrower if the determination: (1) Is made in connection with a making, increasing, extending, or renewing of the loan that is initiated by the borrower; (2) Reflects the Director of FEMA's revision or updating of floodplain areas or flood-risk zones; (3) Reflects the Director of FEMA's publication of a notice or compendium that: (i) Affects the area in which the building or mobile home securing the loan is located; or (ii) By determination of the Director of FEMA, may reasonably require a determination whether the building or mobile home securing the loan is located in a special flood hazard area; or (4) Results in the purchase of flood insurance coverage by the credit union or its servicer on behalf of the borrower under § 760.7. (c) Purchaser or transferee fee. The determination fee authorized by paragraph (a) of this section may be charged to the purchaser or transferee of a loan in the case of the sale or transfer of the loan.
298		.9 – Notice of special flood hazards and availability of Federal disaster relief assistance		X		§ 760.9 Notice of special flood hazards and availability of Federal disaster relief assistance. (a) Notice requirement. When a credit union makes, increases, extends, or renews a loan secured by a building or a mobile home located or to be located in a special (b) Property securing any loan with an original principal balance of $5,000 or less and a repayment term of one year or less.
299		.10 – Notice of servicer's identity		X		§ 760.10 Notice of servicer's identity. (a) Notice requirement. When a credit union makes, increases, extends, renews, sells, or transfers a loan secured by a building or mobile home located or to be located in a special flood hazard area, the credit union shall notify the Director of FEMA (or the Director's designee) in writing of the identity of the servicer of the loan. The Director of FEMA has designated the insurance provider to receive the credit union's notice of the servicer's identity. This notice may be provided electronically if electronic transmission is satisfactory to the Director of FEMA's designee. (b) Transfer of servicing rights. The credit union shall notify the Director of FEMA (or the Director's designee) of any change in the servicer of a loan described in paragraph (a) of this section within 60 days after the effective date of the change. This notice may be provided electronically if electronic transmission is satisfactory to the Director of FEMA's designee. Upon any change in the servicing of a loan described in paragraph (a) of this section, the duty to provide notice under this paragraph (b) shall transfer to the transferee servicer.

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