

BOARD ACTION MEMORANDUM

TO: NCUA Board

DATE: September 7, 2010

FROM: Office of General Counsel 

SUBJ: Final Rule, Part 701
Secondary Capital

ACTION REQUESTED: Board approval of a final rule regarding redemption of certain secondary capital accounts by low-income designated credit unions.

DATE ACTION REQUESTED: September 16, 2010.

OTHER OFFICES CONSULTED: Office of Examination and Insurance, Office of Small Credit Union Initiatives, and all Regional Directors.

VIEWS OF OTHER OFFICES CONSULTED: Concur.

BUDGET IMPACT, IF ANY: None.

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: Yes.

RESPONSIBLE STAFF MEMBERS: Kevin Tuininga, Trial Attorney, Office of General Counsel.

SUMMARY: NCUA is finalizing an interim final rule on early redemption of secondary capital ("SC") by low-income designated credit unions ("LICUs"). The final rule confirms changes made in the interim final issued in February 2010 with a number of technical changes and clarifications. The rule will continue to permit redemption of all or part of government-funded SC along with its matching SC at any time after it has been on deposit for two years, subject to Regional Director approval. It also leaves in place the loss distribution procedures applicable to secondary capital accepted pursuant to the Community Development Capital Initiative. Finally, the rule clarifies application of the net-worth recognition schedule to ensure that a LICU's recognition of a secondary capital account's net worth will never exceed the remaining balance of the account.

RECOMMENDED ACTION: Recommend the Board approve the final rule.

ATTACHMENT: Final rule.