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# Board Action Bulletin

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*Prepared by the Office of Public & Congressional Affairs*

## NCUA BOARD MEETING RESULTS FOR MAY 22, 2008

### ***Amendment to “underserved area” approval process issued***

The NCUA Board issued a proposed rule that would modify the agency’s chartering policy to update and clarify the process for approving credit unions to serve “underserved areas.”

Proposed Rule *Interpretive Ruling and Policy Statement 08-2* would primarily modify NCUA’s Chartering and Field of Membership Manual in the following four respects:

1. Clarify the procedure for establishing that an “underserved area” qualifies as a “local community;”
2. Address the application of economic distress criteria (median family income, unemployment, poverty, county population loss and county migration loss) to determine if an area combining multiple geographic units is sufficiently distressed to qualify as “underserved;”
3. Update the documentation and clarify the scope requirements for demonstrating that a proposed area has “significant unmet needs” for loans and applicable financial services; and,
4. Recognize that meaningful data from NCUA and other federal banking agencies will be available to assess whether an area is “underserved by other depository institutions.”

The proposal includes methodology for using this data to compare the concentration of depository institution facilities among the population area’s non-distressed parts against the same facilities-to-population concentration in the proposed area as a whole.

Proposed Rule IRPS 08-2 was issued with a 60-day comment period and will be available online: [http://www.ncua.gov/RegulationsOpinionsLaws/proposed\\_reg/proposed\\_reg.html](http://www.ncua.gov/RegulationsOpinionsLaws/proposed_reg/proposed_reg.html).

### **Outreach Task Force recommendations approved**

The NCUA Board, by a two to one vote, approved NCUA Outreach Task Force recommendations to collect, publish and distribute federal credit union membership and financial services data to grasp a better understanding of who federal credit unions serve and the extent of services provided.

The methodologies approved for data collection and distribution includes:

1. Collect membership data needed to develop FCU membership profiles using AIRES, NCUA’s automated examination tool, during regularly scheduled examinations.

2. Develop an alternate method to collect membership profile data from FCUs that cannot provide an AIREs download.
3. Collect data on the financial services offered at FCUs via the 5300 Call Report.
4. Publish aggregate data on membership income profiles and financial services.
5. Develop a way for FCUs to obtain individual membership income profile data.

The improved data collection model, which becomes effective January 2009, will benefit NCUA and federal credit unions. It will enable NCUA to be responsive to Congress and other interested parties, and it will facilitate NCUA outreach efforts.

Based on comments and concerns expressed at the six regional Town Hall meeting conducted by the Outreach Task Force, NCUA's data collection model is designed to cause minimum regulatory burden.

### **Joint proposal addresses credit card and overdraft protection**

NCUA staff presented details of a joint proposed rule, Part 706, the NCUA Board approved by notation vote May 2, 2008, designed to prohibit certain credit card and overdraft protection practices considered unfair or deceptive under the Federal Trade Commission Act.

NCUA, the Federal Reserve Board, and the Office of Thrift Supervision issued the joint proposed rule to prohibit seven practices associated with credit card programs that are deemed unfair or deceptive: (1) providing consumers insufficient time to make payments; (2) failing to provide reasonable allocation of payments among balances with different interest rates; (3) retroactively applying interest rate increases to pre-existing balances; (4) assessing over the limit fees when consumers exceed their available credit limit solely because of a hold placed on the account; (5) calculating finance charges using double cycle billing; (6) financing excessive security deposits and fees for the issuance or availability of credit; and (7) making inadequate disclosures in connection with firm offers of credit.

Published in the *Federal Register* May 19, 2008, the proposal would also prohibit an FCU from imposing a fee for paying an overdraft unless it had provided the member the opportunity to opt out of an overdraft protection program and the member had chosen not to do so, and it would prohibit an FCU from charging a fee for an overdraft caused by a hold placed on consumer funds in connection with use of a debit card. The comment period closes August 4, 2008.

### **Incidental powers activities update issued**

The NCUA Board approved a proposal to update and clarify regulation Part 721, federal credit union incidental powers, by adding illustrations recognized as permissible activities since 2001 that are categorized as -- correspondent services, operational programs, and finder activities.

The proposal was issued with a 60-day comment period.

***Board votes are unanimous unless otherwise indicated***