

NCUA Community Development Revolving Loan Fund Loan Interest Rate Policy Effective January 1, 2008

The purpose of this policy is to establish specific guidelines for setting the interest rate on loans made through the Community Development Revolving Loan Fund (CDRLF).

I. Authority

The NCUA Board will determine the interest rates for CDRLF loans, at a fixed rate of not more than 3 percent and not less than 1 percent per NCUA Rules and Regulations § 705.7(d). The Board has delegated authority to determine interest rates to the Director, Office of Small Credit Union Initiatives (OSCUI) via NCUA Delegations of Authority, Special Activities 21 (SPE21).

II. Policies and Objectives

It is the policy of NCUA to charge a below market rate of interest on CDRLF loans that is high enough to generate a modest and affordable return. The earnings on loans are intended to fund additional loans and grant activity. The objective of the earnings strategy is to augment the available sources of CDRLF funds to benefit additional qualified in-need credit unions.

Another program goal under the CDRLF is full deployment of available loan funds. To fulfill this goal, NCUA will increase efforts to promote credit union awareness of funding availability when surplus funds arise.

III. Rate Setting Process

The OSCUI Director will set the CDRLF loan rate in accordance with the following schedule. The Intended Federal Funds Rate (IFFR) in effect on the date of loan application¹ will determine the interest rate assigned. In cases where a loan approval is deferred by NCUA, the IFFR in effect at the time of approval will be used to assign the interest rate.

Intended Federal Funds Rate ²	CDRLF Loan Rate
0.00% - 5.00%	1.00%
5.01% - 7.00%	2.00%
7.01% and higher	3.00%

¹ The date the loan application is received by the Office of Small Credit Union Initiatives.

² Source: www.federalreserve.gov/fomc/fundsrate.htm

IV. Reporting Requirements

OSCUI will post the current CDRLF loan rate in the monthly “Financial Statement” report on its “CDRLF Monthly Statements” internet page (<http://www.ncua.gov/ReportsAndPlans/CDRLF/statements.html>).

V. Internal Controls

Prior to the effective date of a rate change, other than an annual rate change, OSCUI will distribute a notice to the NCUA Board, the Executive Director and Office and Regional Directors.