NCUA LETTER TO CREDIT UNIONS

NATIONAL CREDIT UNION ADMINISTRATION 1775 Duke Street, Alexandria, VA 22314

DATE: October 2006 LETTER NO.: 06-CU-17

TO: Federally Insured Credit Unions

SUBJ: Recently Enacted Regulatory Relief Legislation

Dear Board of Directors:

President Bush signed the Financial Services Regulatory Relief Act of 2006 (Reg Relief Act) into law October 13, 2006. The Reg Relief Act makes a number of changes to the Federal Credit Union Act (FCUA), including expanded authority for FCUs in certain areas and clarification of NCUA's enforcement authority. This letter summarizes the changes affecting credit unions and NCUA. Some of the changes, marked with an asterisk (*), require changes to NCUA regulations as well. NCUA issued an interim final rule addressing the increase in the general loan term limit and the authority to cash checks and transmit funds for nonmembers within the field of membership on October 19. NCUA intends to draft other necessary revisions promptly.

REG RELIEF ACT PROVISIONS RELEVANT TO FEDERAL CREDIT UNIONS

Section 501 amplifies the existing authority for federal agencies to allot space in federal buildings to federal credit unions (FCUs) to include the authority to lease facilities and federal land where credit union facilities may be built.

- * Section 502 amends 107(5) of the Federal Credit Union Act (FCUA) by increasing the general loan term limitation from 12 to 15 years.
- * Section 503 amends section 107(12) of the Federal Credit Union Act to authorize federal credit unions to provide check-cashing and money transfer services to persons who are within an FCU's field of membership although not a member.

REG RELEIF ACT PROVISIONS RELEVANT TO FEDERALLY INSURED CREDIT UNIONS

* Section 504 redefines "net worth" for prompt corrective action (PCA) purposes so that, in a merger, the continuing credit union can combine the merging credit union's net worth with its own for purposes of calculating the continuing credit union's post-merger

net worth ratio. The Financial Accounting Standards Board's (FASB) planned extension of merger accounting rules (FAS 141) to replace the "pooling method" with the "purchase method" necessitated this change.

* Section 728 amends the Gramm-Leach-Bliley Act to require NCUA and other agencies to develop a model privacy form, which institutions would have the option to use in disclosing their privacy practices.

REG RELIEF ACT PROVISIONS RELATED TO NCUA'S OVERSIGHT AND ENFORCEMENT AUTHORITY

Section 707 amends section 202(a) of the FCUA to allow NCUA, in its discretion, to share examination or other confidential supervisory information with other agencies and state supervisors, as well as directors and officers of a credit union.

* Section 708 amends section 206(i) of the FCUA to clarify that suspensions, prohibitions, and removals are effective against institution affiliated parties whether or not they remain institution affiliated parties of a credit union when the order is issued.

Section 715 amends section 206(k)(3) of the FCUA to clarify that NCUA can issue orders, as well as notices, to institution affiliated parties, even after separation from service.

* Section 716 amends section 206 of the FCUA to change one of the grounds for cease and desist orders, removal and prohibition orders, and civil money penalties. The amendment replaces violation of conditions imposed in "the granting of any application or other request by the credit union" with violation of conditions imposed in "any action on any application, notice, or other request by the credit union or institution-affiliated party" as a basis for enforcement actions.

Section 718 adds a new paragraph to section 207(c)(12) of the FCUA that prevents any party to a contract (except director and officer liability and credit union bonds and certain qualified financial contracts) from terminating, accelerating or declaring default for 45 days after appointment of a conservator or 90 days after appointment of the liquidating agent.

Section 719 amends the Fair Credit Reporting Act to authorize NCUA to acquire credit scores of individuals in connection with the resolution or liquidation of a failed or failing credit union.

Section 720 exempts NCUA from prosecution by federal, state, or local authorities for criminal offenses committed by a credit union or institution affiliated parties before its appointment as liquidating agent.

* Section 721 amends section 207(d) of the FCUA to change the review of the NCUA Board's determination of insurance coverage from the Federal Appeals Courts to the

Federal District Courts; the 60-day statute of limitations for challenging the Board's determination is unchanged.

Section 722 amends section 207(b)(15)(D) of the FCUA to allow destruction of records more than 10 years old upon NCUA's appointment as liquidating agent; current law requires waiting six years after appointment as liquidating agent before destroying any records.

Section 723 authorizes NCUA to store records in film or electronic form, and clarifies that these records are deemed original records for all purposes.

Section 726 includes a number of technical corrections to the Federal Credit Union Act.

GAO STUDIES

The Reg Relief Act also requires two Government Accountability Office (GAO) studies that will likely be of interest to credit unions. Section 1001 requires GAO to submit a report on the currency transaction report filing system within 15 months of enactment. Section 1002 requires GAO to examine options for depository institution chartering, including differences in powers among the different charters and the aggregate cost and breakdown associated with regulatory compliance for banks, savings associations, credit unions, or any other financial institution. GAO also must consider the efficiency of consolidating the financial regulators, as well as charter simplification and homogenization. This report is due one year after enactment.

If you have any questions, please contact your NCUA Regional Office.

Sincerely,

/S/

JoAnn Johnson Chairman