

BOARD ACTION MEMORANDUM

TO: NCUA Board

DATE: June 16, 2009

FROM: Director, Office of Capital Markets
and Planning

SUBJ: Interest Rate Ceiling

ACTION REQUESTED: Board approval to: 1) continue the current 18 percent ceiling for loans made by federal credit unions, effective September 10, 2009 until March 10, 2011; and 2) issue notice to all federal credit unions of its determination in a Letter to Federal Credit Unions.

ACTION REQUESTED: July 16, 2009.

OTHER OFFICES CONSULTED: Office of General Counsel, Office of Examination and Insurance, Office of Small Credit Union Initiatives, and Office of Public and Congressional Affairs.

VIEWS OF OTHER OFFICES CONSULTED: Concur.

SUBMITTED TO THE INSPECTOR GENERAL FOR REVIEW: Yes.

BUDGET IMPACT, IF ANY: None.

RESPONSIBLE STAFF MEMBER: J. Owen Cole Jr., Director, Office of Capital Markets and Planning and Jeremy Taylor, Senior Capital Markets Specialist, Office of Capital Markets and Planning.

SUMMARY: Staff is recommending that the NCUA Board set the permissible maximum loan interest rate for federal credit unions at 18 percent for loans effective September 10, 2009 and for the next 18 months. Absent this action, the current ceiling of 18 percent per year will revert to 15 percent on September 10, 2009. The 15 percent ceiling would restrict certain types of credit and adversely affect a number of credit unions' financial condition. Current economic conditions justify continuing the ceiling of 18 percent for loans under the criteria required by the Federal Credit Union Act. 12 U.S.C. §1757(5)(A)(vi)(I).

RECOMMENDED ACTION: Recommend the Board approve a maximum loan interest rate for federal credit unions at 18 percent, effective September 10, 2009.

Staff is prepared to advise the Board to reconsider this action at any time should changes in economic conditions warrant.

ATTACHMENT: Supplemental Information and Draft *Letter to Federal Credit Unions*.

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