
Board Action Bulletin



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NCUA BOARD MEETING RESULTS FOR JANUARY 24, 2008

ANPR addresses merger and conversion issues

The NCUA Board issued an advance notice of proposed rulemaking (ANPR), to Parts 708a and 708b, seeking comments on member rights and ownership interests in relation to federally insured credit union mergers, conversions and insurance terminations. NCUA is also seeking comments on merger or conversion from a federally insured credit union to a financial institution other than a mutual savings bank. Currently, NCUA does not have regulations governing these transactions.

The primary focus of this ANPR is to protect member interests where members have a great deal at stake because transactions involve fundamental changes in ownership or the structure of the credit union; including, in some cases, termination of a credit union charter or termination of insurance. Amendments being considered include issues relating to communications to members, voting integrity, fiduciary duty obligations for board members, and member interest in credit union equity, for example, through merger dividends.

Mergers and conversions are legally permissible; however, member ownership can be diluted or eliminated and members may have fewer voting rights or be deprived of the security of federal share insurance protection. These transactions raise numerous issues that current regulations may not adequately address.

The ANPR is issued with a 60-day comment period.

Interest rate ceiling maintained at 18 percent

The NCUA Board voted to maintain the 18 percent interest rate limit for loans made by federal credit unions for a new 18 month period. This interest rate is the maximum permissible rate a federal credit union may charge for its loans. The action on the renewed rate is effective March 10, 2008 and expires September 10, 2009.

Board votes are unanimous unless otherwise indicated