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NCUA Media Release

Effective Dates Set for FCU Director Duties Rule

Rule is effective January 27, 2011; financial literacy compliance required by July 27, 2011

December 22, 2010, Alexandria, Va. – The new NCUA rule addressing the duties of federal credit union boards will be effective in January 2011, and compliance with the financial literacy portion of the rule will be required by July 2011.

Directors elected or appointed on or before January 27, 2011, including those directors serving prior to NCUA finalization of the rule, must be in compliance with the financial literacy requirements by July 27, 2011. Directors elected or appointed after January 27, 2011 must satisfy the financial literacy requirements within six months following seating.

As part of the financial literacy requirements, all FCU directors, including existing directors, must have the ability to read and understand a credit union balance sheet and income statement. Specifically, the new rule states:

“Each FCU director has the duty to... At the time of election or appointment, or within a reasonable time thereafter, not to exceed six months, have at least a working familiarity with basic finance and accounting practices, including the ability to read and understand the Federal credit union’s balance sheet and income statement and to ask, as appropriate, substantive questions of management and the internal and external auditors....”

Directors who do not yet have this ability should plan to receive financial literacy training in 2011. Training will be available in workshops presented by NCUA’s Office of Small Credit Union Initiatives, as well as through private sector providers.

The NCUA Board approved the new rule to clarify and document the fiduciary duties and other responsibilities of FCU directors so as to better protect credit unions and their

members. In addition to the financial literacy requirement, Section 701.4 requires that all FCU directors carry out their duties in good faith and in the best interest of the credit union membership.

The National Credit Union Administration charters and supervises federal credit unions. NCUA, with the backing of the full faith and credit of the U.S. government, operates and manages the National Credit Union Share Insurance Fund, insuring the accounts of more than 90 million account holders in all federal credit unions and the majority of state-chartered credit unions. NCUA is funded by credit unions, not federal tax dollars.

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