

NCUA's Low-Income Designation



Topics

- I. Benefits of the LICU Designation
- II. Definition of Low-Income Members
- III. Application Process, Grandfather Provisions and Appeal Procedures
- IV. Resource Information and Contact information

Benefits of NCUA's Low-Income Designation

**Participate in the Community Development
Revolving Loan Fund Program (R&R Part 705)**

Accept nonmember deposits (R&R Part 701.34)

**Offer secondary capital accounts (R&R Part
701.34)**

**Qualify for an exception from the aggregate loan
limit for member business loans (R&R 723.16/17)**

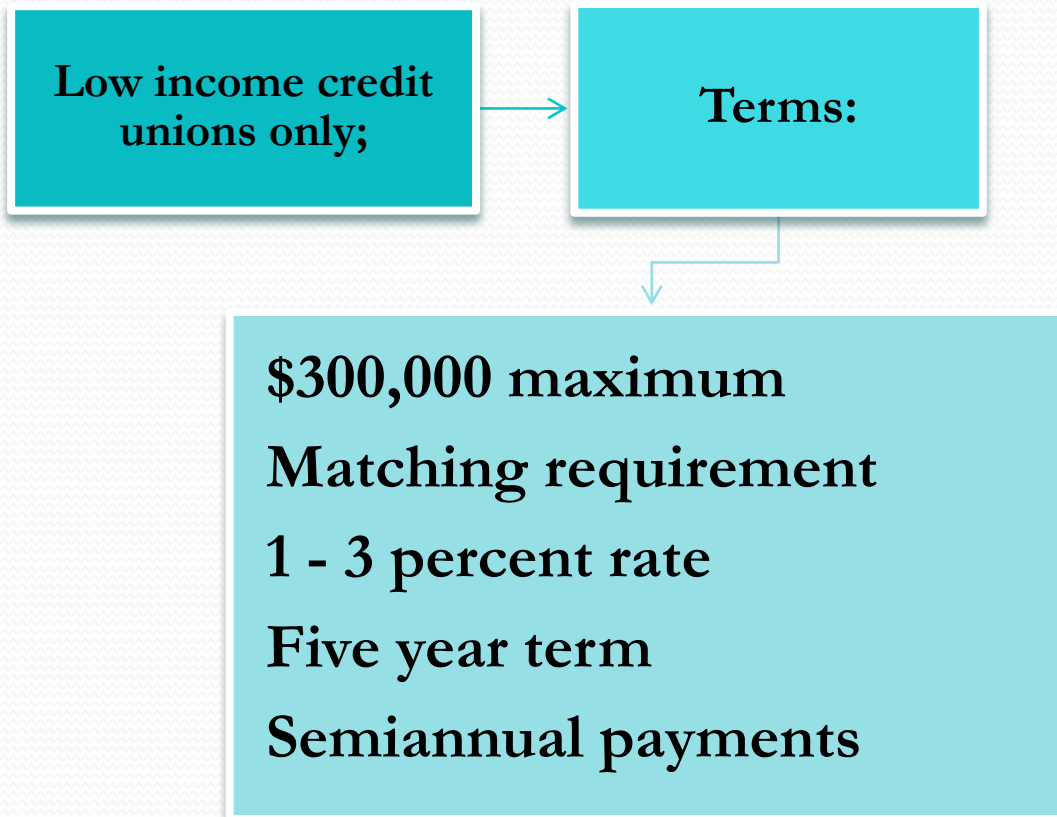
LICU Benefits: Community Development Revolving Loan Fund (CDRLF)

Established by Congress via Public Law 96-124 and Public Law 99-604 to support credit unions that serve low-income communities.

Objectives in NCUA Rules and Regulations, Part 705.

Provides financial assistance to credit unions serving low-income communities

LICU Benefits: CDRLF Loans



LICU Benefits: CDRLF Loan Uses

**Providing
new services
or expanding
existing
services;**

**Extending
technology to
members
through web
services;**

**Relocating or
renovating
credit union
offices in new
or expanded
geographic
areas;**

LICU Benefits: CDRLF Loan Uses

Providing products and services as alternatives to payday lending;

Offering outreach services; and

Supporting community financial education efforts.

LICU Benefits: CDRLF Technical Assistance Grants (TAG)



2010 CDRLF TAG Initiatives

- Partnerships and Outreach Initiative
- Building Internal Capacity/Building Technology Initiative
- Financial Education Initiative
- Student Internship and Job Creation Initiative
- Staff, Official, and Board Member Training Initiative
- Volunteer Income Tax Assistance Initiative
- Urgent Needs Grant

LICU Benefits: Nonmember Deposits

May accept nonmember deposits from sources other than public units and other credit unions.

Limited to 20% of total shares or \$1.5 million, whichever is greater.

LICU Benefits: Secondary Capital

Secondary Capital is:

- An uninsured obligation;
- Used to support lending and improve financial services; and
- Is included in the computation of Net Worth for low-income designated credit unions.

LICU Benefits: Member Business Loan Rule

- Low income designated credit unions are provided an exception to the aggregate loan limit for business loans.

LICU Definition

Metropolitan Areas

- Members with income that falls at or below 80% of the median family income (MFI) for the metropolitan area where they live or the national metropolitan area MFI, whichever is greater. Median Earnings for Individuals (MEI) may be substituted if more beneficial.

Non-Metropolitan Areas

- Members with income that falls at or below 80% of either the statewide, nonmetropolitan area or national, non-metropolitan area MFI, whichever is greater. Median Earnings for Individuals (MEI) may be substituted if more beneficial.

Metropolitan Statistical Areas

The Office of Management and Budget defines Metropolitan Statistical Areas (MSA) as areas with at least one urbanized area of 50,000 or more population, plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting ties. They must have at minimum one county and often include several counties.

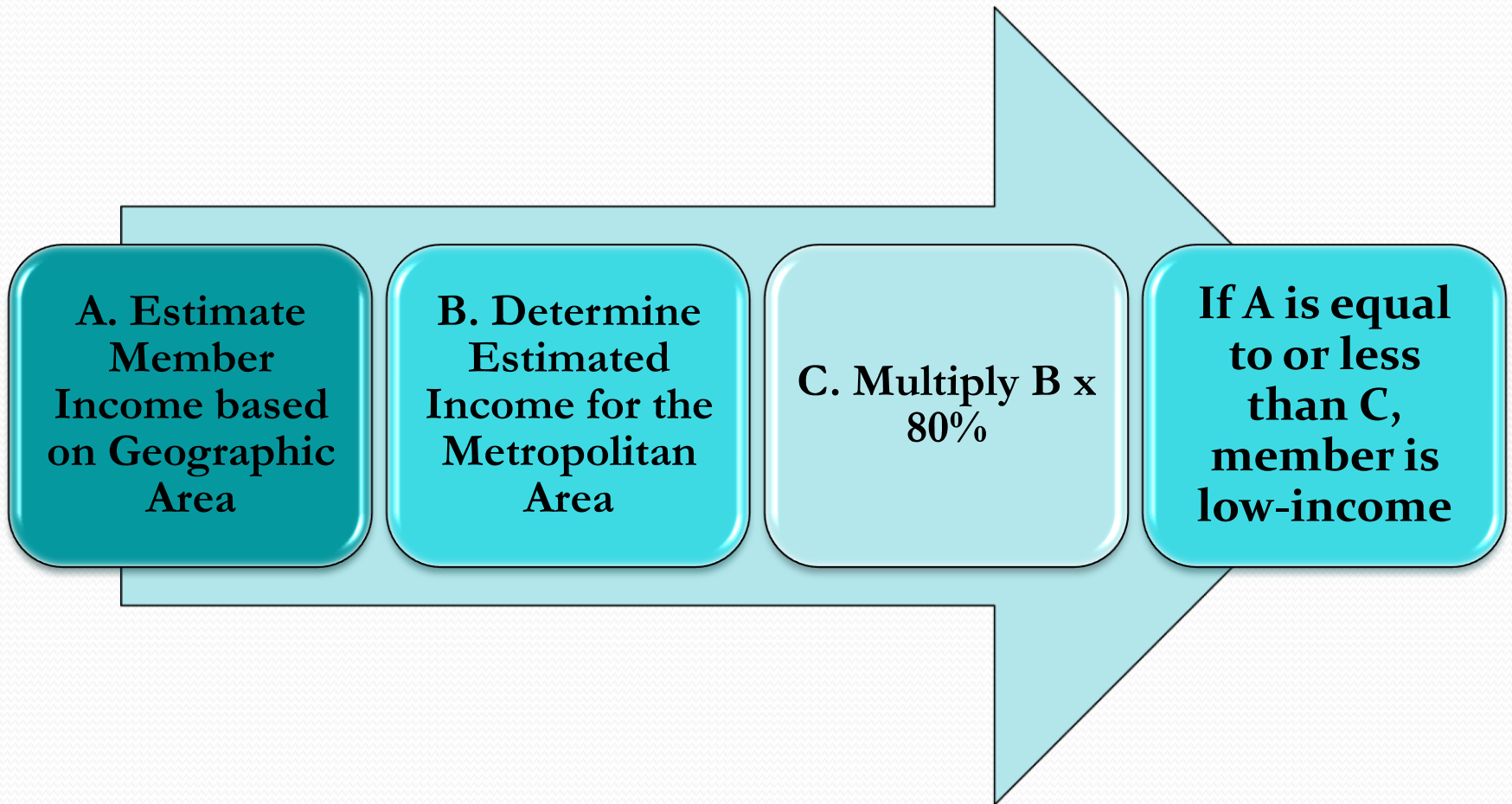
As of January 1, 2011, there are 366 Metropolitan Areas in the United States.

LICU Definition

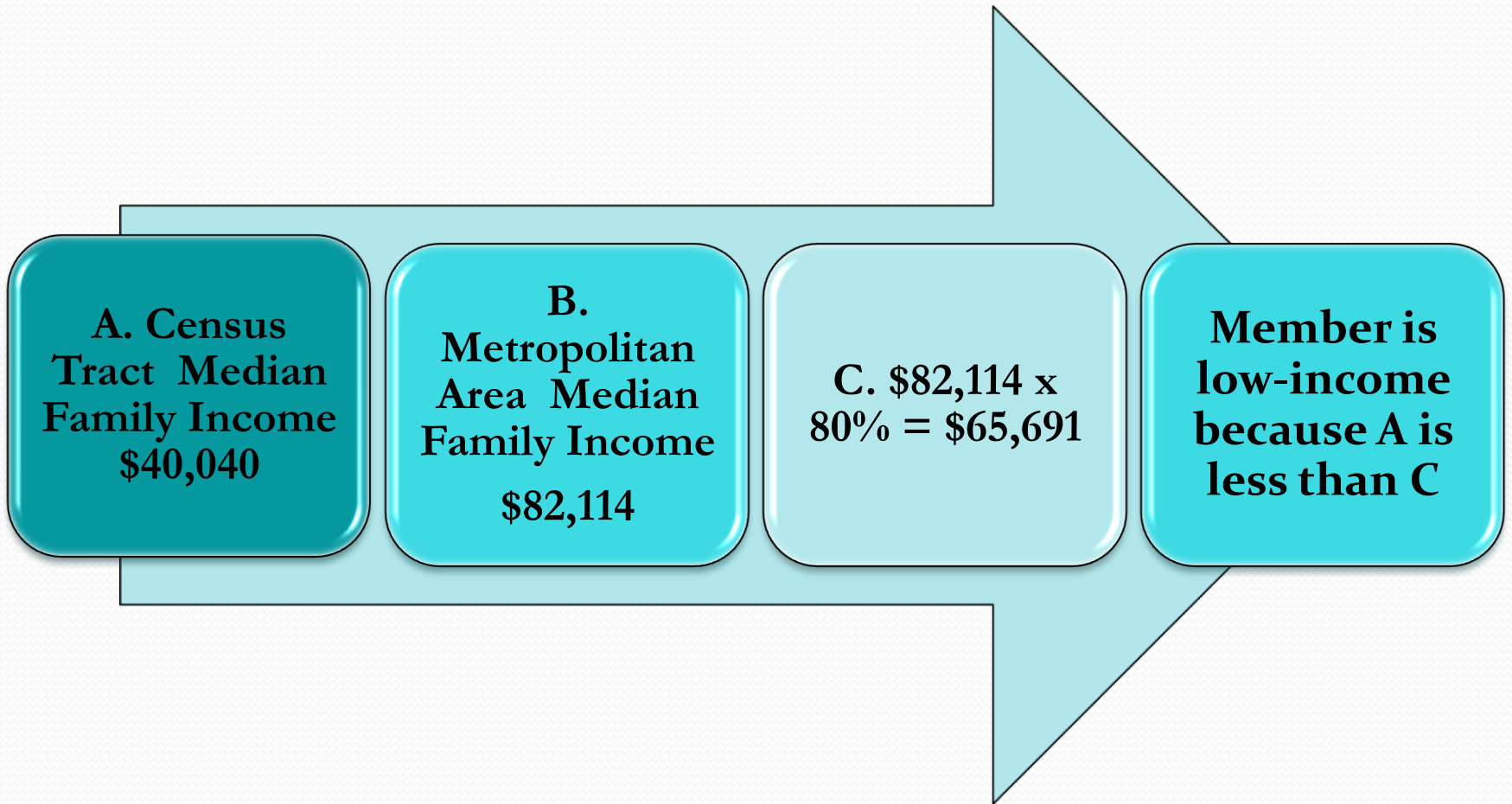
To Qualify:

- Majority of members (50.01%) must meet the definition of a low-income member (i.e. Total members = 10,000/Low income members = 5,001)
- Based on member address information obtained through the examination process or submission of membership address information to NCUA
- Member income estimates are derived by linking address information to U.S. Census Bureau data
- NCUA's low-income geo-coding software used to estimate member income.

Low-Income Calculation



Low-Income Calculation using Median Family Income



Community Credit Unions

An existing community credit union that serves a geographic area where a majority of residents meet the low-income definition is presumed to be serving predominately low-income members.


LICU Definition

Alternative Assessment Methods


- An FCU may be able to demonstrate the actual income of its members based on actual member income data from loan applications or member surveys.
- Full or part-time students in a college, university, high school, or vocational school also qualify as low-income.

LICU Designation Application Process

Request the low-income designation through the Regional Office/Office of Consumer Protection (OCP)



Low-income analysis can be performed by the Regional Office/OCP or Office of Small Credit Union Initiatives (OSCU) via an EDS



Credit Union may submit information to the Regional Office/OCP to demonstrate they qualify as low-income

LICU Designation Grandfather Provisions

NCUA will notify a credit union in writing when it no longer meets the LICU criteria.

The FCU has five years from the date of the notice to either re-qualify as a LICU or come into compliance with regulations applicable to credit unions that do not have a LICU designation.

LICU Designation Appeal Procedures

An FCU may appeal to the NCUA Board a regional/OCP director's determination that it no longer meets the criteria for a LICU designation.

An FCU may not, however, appeal the loss of the LICU designation to the NCUA Board solely because of the change in the income standard from MHI to MFI.

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