

FREQUENTLY ASKED QUESTIONS ON LOW INCOME CREDIT UNION ELIGIBILITY AND DESIGNATION

What are the advantages of being designated a low-income credit union (LICU)?

- Access to NCUA's Office of Small Credit Union Initiative's programs, including the CDRLP and Technical Assistance grants, along with consulting services offered by the Economic Development Specialists;
- Ability to accept nonmember deposits from any source;
- Exempt from the current 12.25 percent statutory cap on member business loans;
- Can become candidates to receive assistance from other sources, such as the U.S. Treasury's Community Development Financial Institution program, private benefactors and foundations, and institutions interested in receiving Community Reinvestment Act credit.

How did NCUA identify and select these LICU eligible credit unions? What are the criteria?

NCUA recently updated our credit union assessment tool to include 2010 Census data. The updated assessment tool was used draw conclusions from member share data provided at each federal credit union's most recent examination (i.e., AIREs data). The software assigns the overall income characteristics of a given area to the credit union's members living in that same area.

NCUA then compares the income information to standards for low-income that are established by regulation. The most common comparison is median family income, for where the member lives, to the median family income for the larger metropolitan statistical area (or, for rural areas, a state non-metropolitan standard). If the area's median family income is at or below 80% of the standard, the area is low-income. If a simple majority of the credit union's members (50.1 percent) live in low-income areas, then the credit union is automatically eligible for a low-income designation.

State chartered credit unions may also apply for the low-income designation, but NCUA must work with state regulators to finalize any approval. Actual low-income credit union designation benefits can also vary by state, based on state law.

How will the program work moving forward, will NCUA be evaluating LICU eligibility each quarter now? Will you notify any credit unions that become eligible in the future?

NCUA intends to assess eligibility each quarter and then notify any newly eligible credit unions of their ability to receive low-income designation.

What if my credit union is not on the eligible LICU list? Is it still possible my credit union might qualify for the LICU designation in some other way?

We are willing to take a fresh assessment if member trends have changed since the last examination, and assess those results against our updated software.

Credit unions can also use a sampling method to support their members meet the requirements. For more information, contact OCP's Division of Consumer Access Staff (703-518-1150) or dcamail@ncua.gov.

What happens if a credit union is eligible for LICU today, but falls under the threshold later? Do they immediately lose their LICU designation?

No. By statute, a credit union that meets the threshold gets the designation. If they subsequently fall under the 50.1% threshold in a future quarter, they have up to 5 years to recover to meet the required 50.1% threshold.

What happens if my credit union has a LICU designation, but merges with another credit union – can the merged credit union retain the LICU designation?

The new combined credit union, in its entirety, would need to meet the requirements to keep the low-income credit union designation.

Are there any special reporting requirements for LICU credit unions on the Call Report or elsewhere?

No.

If my credit union replies “yes” – how soon will the LICU designation become effective?

Immediately, upon NCUA's receipt of your acceptance.