

FISCAL NOTE FOR READOPTION OF RULES

Agency:	North Carolina Department of Commerce, Credit Union Division	
Rulemaking Coordinator:	Tony Knox, Deputy Administrator	
The Rule Making Authority:	G.S. 54-109.12 and G.S. 54-109.21(25)	
Summary of Impact:	State Government	Minimal
	Local Government	No
	Substantial Economic Impact	No

The Division is proposing readopting the following Rules as a Permanent Rules:

- 04 NCAC .06B .0402 04 NCAC .06C .0101 04 NCAC 06C .0201
- 04 NCAC .06C .0202 04 NCAC .06C .0203 04 NCAC .06C .0209
- 04 NCAC .06C .0301 04 NCAC 06C .0302 04 NCAC .06C .0304
- 04 NCAC .06C .0306 04 NCAC 06C .0307 04 NCAC .06C .0311
- 04 NCAC .06C .0312 04 NCAC 06C .0313 04 NCAC .06C .0401
- 04 NCAC .06C .0402 04 NCAC 06C .0404 04 NCAC .06C .0409
- 04 NCAC .06C .0501 04 NCAC 06C .0502 04 NCAC .06C .0601
- 04 NCAC .06C .0801 04 NCAC 06C .0901 04 NCAC .06C .1001
- 04 NCAC .06C .1002 04 NCAC 06C .1201 04 NCAC .06C .1204
- 04 NCAC .06C .1301 04 NCAC 06C .1302

The Division is proposing one rule, .0707 to be repealed.

Summary

Many of the rules listed for re adoption are proposed with substantive changes; however, the changes are technical changes, updates to the language to make them more consistent with current industry language, and to make them less burdensome for the public and the industry. There are no major changes to any of the rules that would create a substantial cost to the Division, credit unions, local government or state government. The changes will not create a substantial amount of revenue for any of the credit unions or the industry. The changes to the rules bring clarity in some situations. Ten of the rules were submitted for updates since 2013, and in that group, the changes are primarily technical changes that do not change the intent of the rule, but make it clearer and easier to understand.

Highlights Regarding Changes

In regards to 04 NCAC 06B .0402, Response of Administrator to Petition: the changes in the rule bring clarity, consistency with State law, and make it less burdensome to the credit union industry. The changes clarify how to petition for a ruling and the expectations of the Administrator. We do not expect any more

request from the changes in the rule. This has not been a practice that has been utilized by the industry with any regularity.

Regarding 04 NCAC 06B .0101, Definitions: we made the definition of Credit Union Service Organization, or CUSO, more consistent with NCUA and defined clearly what an actual CUSO is. The changes create clarity and consistency.

In regards to 04 NCAC 06C .0304, Management Duties: the changes expanded the ability for credit union to seek training through other organizations. The changes do not require that they go to a specific trade group, or support organizations, to take any additional classes, but instead indicates that they should avail themselves of the opportunities that may be available to credit union, if needed, in other organizations or trade groups. The credit unions would have more options and can avail themselves of these opportunities, which may be offered by other organizations and trade groups in the industry.

In addition to updating the definition of the CUSO in 04 NCAC 06B .0101, we also updated Rule 04 NCAC 06C .0313, Credit Union Service Organization (CUSO). The changes make the rule more consistent with the NCUA rule and provide more flexibility for the credit unions. It will also be less burdensome for those credit unions investing in a CUSO or considering investing in a CUSO.

In regards to the collections area, 04 NCAC 06C .0401, Delinquent Loans and Loan Losses: the changes are being made to update the language to current industry language and NCUA Rules and Regulations. The changing from months to days is consistent with NCUA and industry standards when discussing delinquency.

Also, it is a current practice to review the Allowance for Loan Losses Account quarterly for accuracy prior to the completion of call reports. The changes make it clear that it can be someone inside of the credit union as staff or a volunteer official provided that they are not a part of the credit approval process, the methodology, estimation, or the application of the Allowance for Loan Losses Account. The changes do not create any cost burden for the credit union.

Regarding 04 NCAC 06C .0402, Charge-Off of Uncollectable Loans: these changes update the language to current industry language by changing months to days which is the same time frame. However, we added language that will make it less burdensome for the credit union and less stressful for the regulated public. If the loan is secured by real estate, or the borrower is demonstrating a reasonable level of repayment, or in a legal payment plan, the credit union may be able to work with the borrower and not have to charge the loan off. We will be looking for the credit union to follow the policy that they put in place for uncollectable loans.

And 04 NCAC 06C .1301, Special Reserves for Liquidity: the changes bring clarity to this rule, and make it consistent with NCUA. It also provides options for the credit unions to locate sources of liquidity and lessen the burden for any that may have to update their plan.

Upon completing the process, there will be a minimal cost to the Division, no cost to Local Government and no substantial economic impact to the credit unions or the community, from this group of rules:

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The impact on the Division’s budget will be minimal and should not have a material impact. After the initial copy of the Rules have been mailed to credit unions, they will either make their own copies or request additional ones from the Credit Union Division at a cost per book of \$5. The examination team and management will spend approximately 4 hours reviewing the updates after completion before the updated codes are sent out.

There will be minimal cost to the industry as credit unions will be required to have management review and update policies to ensure compliance. Therefore, most of the credit unions will simply be reviewing policies and may be updating policies to ensure compliance. However, if they do not have the expertise it should be accessible through the League or other organizations, trade groups or support agencies, at a minimal cost.

Management’s cost to meet, review policies, and update policies:	
provided 20 credit unions put in 10 hours each at \$100 equal to 20 x \$1,000	\$20,000.00
provide the remaining 20 put in 5 hours each at \$50 equal to 20 x \$250.00	\$ 5,000.00
Total cost to the credit unions	\$ 25,000.00

This is minimal cost to the credit union industry.

The minimal cost to State Government will be as follows:

Two hours of review time for each credit union on an update of policies by one examiner at 50.00 per hour per credit union.

$$\$50.00 \text{ per hour times } 40 \text{ times } 2 = \$40 \times 50 \times 2 = \$4,000.00$$

A review of the entire code of technical changes and updates 4 hours

$$\$50.00 \text{ per hour times } 4 \text{ hours for } 10 \text{ examiners and management. } 40 \times \$50. \text{ Equal } \$2,000.00$$

$$\text{Printing of new Administrative Codes } 2.80 \times 100 \text{ books } = \$280.00$$

$$\text{Mail out } 60 \text{ copies at } 2.40 \text{ each } = \underline{\$144.00}$$

$$\text{Total Cost to State Government } \$6,424.00$$

As stated above there is a minimum amount of expense to State Government in terms of the amount expended to review rules, extend opportunities for comment and input from the industry. Each credit union will be mailed a copy, and those that have expressed an interest in credit unions will be mailed a copy as well. We will make additional copies to be sold at \$5.00 per book.

The total expense to the Division is estimated to be approximately \$6424.00

(See proposed rule text in the Appendix and assumptions following the report)

Appendix:
See attached 30 Rules