



DBF GUIDANCE FOR GEORGIA STATE-CHARTERED BANKS, BANK HOLDING COMPANIES, CREDIT UNIONS, AND TRUST COMPANIES

TO: Supervision Staff

CC: Georgia State-Chartered Credit Unions

FROM: Melissa Sneed
Deputy Commissioner for Supervision

SUBJECT: LOW INCOME CREDIT UNIONS

DATE: February 7, 2025

Low Income Credit Union (LICU) is a designation defined in detail within Section 701.34 of NCUA Rules and Regulations. The designation is available to both state and federal credit union charters. State-chartered credit unions that meet the eligibility requirement may obtain LICU designation from the NCUA, subject to the Department’s approval. A LICU designation will be conferred upon a Georgia state-chartered credit union by the NCUA only with the Department’s prior approval.

LICU designation confers access to specified benefits and expanded authority so long as the credit union continues to meet the eligibility requirement. The Department supports LICU designation for state-chartered credit unions that are well managed and in a satisfactory financial condition so long as the expanded authority conferred by the designation is based on conditions consistent with standards of safety and soundness to include a clearly defined business plan outlining appropriate mitigating controls over the use of the expanded authorities.

Benefits and Expanded Authorities of LICU Designation

- Ability to accept non-member deposits from any source;
- Authority to obtain supplemental capital;
- Exception from the statutory cap on member business loans;
- Eligibility for grants and low-interest loans from the Community Development Revolving Loan Fund; and
- Access NCUA support programs including technical assistance grants.

Eligibility Requirement for LICU Designation

Per NCUA's regulations, a credit union may be designated low-income if more than 50 percent of its members have a family income of 80 percent or less than the median family income for the metropolitan area where they live or national metropolitan area, whichever is greater, or those members who earn 80 percent or less than the total median earnings for individuals for the metropolitan area where they live or national metropolitan area, whichever is greater.

Obtaining LICU Designation

When the Department uploads a report of examination to the NCUA, geographic member data should be included in that upload as part of the database. NCUA routinely uses this geographic member data to perform analysis determining whether a credit union meets the eligibility requirement for LICU designation. Alternatively, the credit union at any time can contact the NCUA directly and provide this geographic member data requesting an analysis to determine eligibility for LICU designation. To do so or make other inquiries regarding LICU designation, the credit union may contact the NCUA Office of Credit Union Resources and Expansion.

The Department's policy is to review any request for LICU designation made by a state-chartered credit union that is considered by the Department to be well managed and in a satisfactory financial condition. A credit union that does not meet this standard, but which makes a request for LICU designation will only be considered on an exception basis. A request for LICU designation made by a state-chartered credit union should be presented in writing and include (at a minimum):

- Documentation demonstrating the credit union's board of directors' approval of the request for LICU designation (subject to regulatory approval);
- A clearly defined business plan identifying the alignment of LICU designation to the credit union's strategy and business model, which details the incorporation of LICU designation benefits and expanded authorities to specific strategic initiatives;
- Policies and procedures addressing appropriate mitigating controls over LICU designation benefits and expanded authorities that the credit union intends to implement such as limits, controls, systems, and staffing expertise to support member business lending as well as exit strategies related to the maturity or runoff of supplemental capital and/or community development loans and the planned or unplanned loss of LICU designation; and
- Pro-forma financial statements covering at least a three (3) year period that incorporate the projected impact of LICU designation benefits and expanded authorities including net worth implications.

Any approval by the Department of LICU designation would be expected to contain limiting conditions that promote safety and soundness through incremental implementation of LICU designation benefits and expanded authority such as:

- Specifying that acceptance of non-member deposits remain subject to the statutory limitations set forth in Official Code of Georgia, Annotated 7-1-650(2) including, but not limited to, the deposits being insured by the NCUA;
- Obtaining prior approval of the Department before issuing any supplemental capital, with such request specifying the intended purpose, source, terms, and exit strategy;

- Initial and subsequent limits (based on track record of satisfactory performance) relative to the credit union's net worth on the growth and aggregate exposure to MBL appropriate to the credit union's financial condition, policies, underwriting standards, control environment, system capabilities, and staffing expertise; and
- Timely notification to the Department of the credit union's use of NCUA support programs including a brief outline of the program used and its intended purpose.

Maintaining and Losing LICU Designation

In order to retain LICU designation, the credit union must continue to meet the eligibility requirement. Changes in the credit union's membership demographics, field of membership, or completion of a merger are among the circumstances which may result in the credit union no longer meeting the eligibility requirement. It should be noted that some of these factors may not be within the control of the credit union. Accordingly, the credit union should be mindful and prepare for the possibility of losing LICU designation. The NCUA will periodically assess whether the LICU continues to meet the eligibility requirement. If a LICU is found to no longer meet the eligibility requirement, the credit union will have up to five (5) years to either restore itself to eligibility or lose the LICU designation and related benefits.

Examination of LICUs

Examination of LICUs should include a risk-focused examiner review of compliance with any Department approval condition(s) along with a safety and soundness assessment of the adequacy of controls over the implementation of LICU designation benefits and expanded authorities. Confirmation should also be obtained that the credit union continues to qualify for LICU status.