



**TO:** NCUA Board

**DATE:** May 18, 2020

**FROM:** Office of General Counsel  
Office of Examination and Insurance

**SUBJ:** Interim Final Rule: Overdraft Policy  
(Part 701)

**ACTION REQUESTED:** NCUA Board approval to issue the attached interim final rule for a 30-day comment period.

**DATE ACTION REQUESTED:** May 21, 2020.

**OTHER OFFICES CONSULTED:** Office of Consumer Financial Protection

**VIEWS OF OTHER OFFICES CONSULTED:** Concur

**BUDGET IMPACT, IF ANY:** None.

**SUBMITTED TO INSPECTOR GENERAL FOR REVIEW:** Yes.

**RESPONSIBLE STAFF MEMBERS:** Alison Clark, Chief Accountant, Office of Examination and Insurance; Thomas Zells, Staff Attorney, Office of General Counsel.

**SUMMARY:** This interim final rule modifies one of the requirements that a federal credit union (FCU) must adopt as a part of their written overdraft policy. Specifically, the interim final rule modifies the requirement that an FCU's written overdraft policy establish a time limit, not to exceed 45 calendar days, for a member to either deposit funds or obtain an approved loan from the FCU to cover each overdraft. The interim final rule removes the 45-day limit and replaces it with a requirement that the written policy must establish a specific time limit that is both reasonable and applicable to all members, for a member either to deposit funds or obtain an approved loan from the credit union to cover each overdraft. Consistent with U.S. generally accepted accounting principles (GAAP), overdraft balances should generally be charged off when considered uncollectible. This change will improve a requirement that is not only overly prescriptive, but could be especially detrimental as FCUs take steps to provide their members the flexibility needed to cope with the impacts of COVID-19.

The rule is being issued without notice-and-comment procedures and with an immediate effective date because of the unprecedented nature and urgency of the COVID-19 pandemic.

**RECOMMENDED ACTION:** The NCUA Board approve the attached interim final rule for publication in the *Federal Register* with a 30-day comment period.

**ATTACHMENT:** Interim final rule.