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IOWA DEPARTMENT OF COMMERCE  
DIVISION OF CREDIT UNIONS  
JOANN JOHNSON, SUPERINTENDENT

## Interpretive Bulletin

Date: September 12, 2016  
Replacing Interpretive Bulletin dated November 1, 2012

TO: All Iowa State Chartered Credit Unions

FROM: JoAnn M. Johnson  
Superintendent

SUBJECT: **Low-Income Designation**

A credit union may qualify for a Low-Income Designation using one of several methods, the most common of which is a Zip Code analysis, which is performed by the National Credit Union Administration (NCUA) using the AIRES file. The analysis is a 100 percent survey of the zip code residence of all current members and demonstrates that more than 50 percent of the current members reside in defined low-income zip codes, based on current U.S. Census Bureau's median household income statistics.

Other methods of qualifying for a low-income, such as doing a member or loan survey, may be determined by the superintendent and approved by NCUA.

Upon qualifying, an Iowa state chartered credit union may request a low-income designation by submitting a written request for a low-income designation to the Superintendent. Upon approval by the Superintendent, the request will be forwarded to NCUA for concurrence.

A Low Income Designation carries several benefits, including the ability to apply for grants from NCUA, the ability to receive nonmember shares and deposits, the opportunity to offer secondary capital accounts, and to qualify for the exception

from the aggregate limit on member business loans. Iowa Admin. Rules 189—7.4 (533); 7.6(533); NCUA §723.17

Other than applying for grants, to participate in any/each of the other three areas of benefit, the credit union is required to forward a copy of your Board approved policy for Division approval prior to engaging in these activities:

### **Nonmember Deposits**

Please refer to 189—7.4(1) for limitations on nonmember deposits. Unless a greater amount has been approved by the Superintendent, the maximum aggregate amount of all public unit and nonmember accounts shall not, at any given time, exceed 20 percent of the total shares and deposits of the credit union or \$1.5 million, whichever is greater. Before accepting any public unit or nonmember accounts in excess of these amounts, the board of directors must adopt a specific written plan concerning the intended use of these accounts and receive approval from the Superintendent. Criteria for the plan is listed in 189---7.4 (2).

### **Secondary Capital**

Prior to offering secondary capital accounts, the board of directors must adopt a plan for the use of the funds and receive approval from the Superintendent. The terms and conditions and the accounting treatment are described in 189—7.6 -7.6 (2).

### **Member Business Loan aggregate limit**

The aggregate limit on a credit union's net member business loan balances is normally the lesser of 1.75 times the credit union's net worth or 12.5% of the credit union's total assets. While the Low Income designation exempts credit unions from the aggregate limit, the board of directors must adopt a specific written plan supporting the ability to manage this activity exceeding the above limitations and submit it to the Superintendent.

Documentation regarding continued low-income status eligibility will be reviewed during each regular examination of the credit union to ensure that the credit union continues to meet the standards established by the rule. *See* 189 IAC 7.5 (533).