



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

GC/JT:sg  
3800 J

OFFICE OF THE CHAIRMAN

August 15, 1988

Honorable James C. Wright, Jr.  
Speaker of the House of Representatives  
Washington, D.C. 20515

Re: National Credit Union Administration's Annual  
Report Regarding Prevention of Unfair or Deceptive  
Acts or Practices by Federal Credit Unions

Dear Mr. Speaker:

The Competitive Equality Banking Act of 1987 ("CEBA") amended the Federal Trade Commission ("FTC") Act by transferring from the FTC to the National Credit Union Administration ("NCUA") the authority to declare a particular Federal credit union ("FCU") practice an unfair or deceptive trade practice. (15 U.S.C. §§45(a)(2), 57a(f).) The CEBA amendments also required NCUA to submit to Congress an annual report of its activities under this new authority. This first annual report covers the period August 10, 1987 (the date CEBA was enacted), to August 1, 1988. Reports will be filed with Congress each August.

Regulatory Actions

The CEBA amendments require that whenever the FTC issues a rule under 15 U.S.C. §57a(a)(1)(B) -- i.e., one further defining what are unfair or deceptive acts or practices -- NCUA must promulgate a substantially similar rule. (See 15 U.S.C. §57a(f)(1).) To comply with this requirement, the NCUA Board quickly adopted a "Prohibited Lending Practices Rule" as an interim final rule. 52 Fed. Reg. 35060 (Sept. 17, 1987). The Board thereafter issued a final rule, retitled the "Credit Practices Rule." 52 Fed. Reg. 46585 (Dec. 9, 1987). This rule, now Part 706 of NCUA's Rules and Regulations [12 C.F.R. Part 706], is substantially similar to the FTC's Credit Practices Rule, 16 C.F.R. 444.

FOIA Vol. III B 14 Credit Practices

Honorable James C. Wright, Jr.  
August 15, 1988  
Page 2

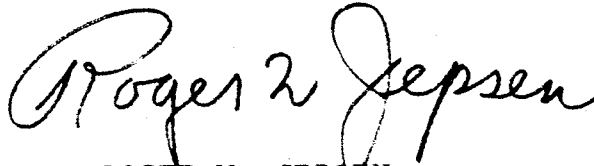
Enforcement of the Rule

Our Office of General Counsel has issued two legal opinions interpreting the Credit Practices Rule, and has responded to telephone inquiries from FCU's, state credit union leagues, and attorneys on application of the rule. Moreover, NCUA examiners have, as part of their regular FCU examination, reviewed the institution's compliance with the Credit Practices Rule.

Operational Guidance

To familiarize FCU's with the Rule's requirements, NCUA has summarized it in a new FCU Directors Handbook, which we expect to publish this month.

Sincerely,

A handwritten signature in cursive script that reads "Roger W. Jepsen". The signature is written in dark ink and is positioned above the typed name and title.

ROGER W. JEPSEN  
Chairman, NCUA Board

JT:sg