



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

GC/EOR:jmw  
3200

August 11, 1989

OFFICE OF THE BOARD

Honorable Thomas S. Foley  
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 report covers the period August 1, 1988, to August 1, 1989. Reports are 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 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.

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Enforcement of the Rule

Our Office of General Counsel 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. No written opinions have been issued during this period.

Operational Guidance

To familiarize FCU's with the Rule's requirements, NCUA has summarized it in an FCU Directors Handbook, which has been distributed to all FCU's.

Sincerely,

A handwritten signature in black ink that reads "Roger W. Jepsen". The signature is written in a cursive, flowing style.

ROGER W. JEPSEN  
Chairman, NCUA Board

EOR:jrm