



pennsylvania
DEPARTMENT OF BANKING

MARKET SQUARE PLAZA | 17 N SECOND STREET, 13TH FL | HARRISBURG, PA 17101
PH 717.787.2665 Fx 717.787.8773 W www.banking.state.pa.us
Direct: 717.787.5783

October 6, 2010

**TO: CHIEF EXECUTIVE OFFICERS OF PENNSYLVANIA STATE-CHARTERED
CREDIT UNIONS**

The purpose of this letter is to inform you that it is the position of the Commonwealth of Pennsylvania Department of Banking (the "Department") that Pennsylvania state-chartered credit unions are preapproved to offer short-term, small amount loans ("STS Loans") in parity with the ability of federally-chartered credit unions as recently authorized by the National Credit Union Administration ("NCUA") pursuant to Section 501(e)(1) and (f) of the Credit Union Code,¹ subject to the conditions as stated in this letter.

As a matter of background, on September 24, 2010, the NCUA published a final regulation in the *Federal Register* (75 Fed. Reg. 58285) ("the "STS Regulation"), which amends the NCUA's general lending regulation at 12 CFR 701.21 to permit federally-chartered credit unions to offer STS Loans to their members at a higher interest rate than currently permitted under the general lending regulation. In summary, the STS Regulation permits a federally-chartered credit union to make a single closed-end loan to a member at any one time in an amount of \$200-\$1,000 at a term of 30-180 days with a maximum interest rate of 28% per year inclusive of all finance charges and maximum \$20 application fee. The STS Regulation also requires a federally-chartered credit union to set a cap on the total dollar amount of STS Loans it will make, requires a minimum one-month membership for any borrower, requires that any STS Loan must be fully amortized and prohibits the rollover of any STS Loan. The STS Regulation will become effective on October 25, 2010.

Based upon the foregoing, it is the position of the Department that Pennsylvania state-chartered credit unions may offer STS Loans to their members on or after October 25, 2010, in accordance with the STS Regulation in parity with the ability of federally-chartered credit unions, pursuant to Section 501(e)(1) of the Credit Union Code. In order to expedite the approval process for this activity, the Department is pre-approving this parity authority pursuant to Section 501(f) of the Credit Union Code. Thus, Pennsylvania state-chartered credit unions are not required to individually submit parity notices to the Department under Section 501(f) of the Credit Union Code in order to offer STS Loans to their members on or after October 25, 2010, in accordance with the STS Regulation as discussed in this letter.

The Department reserves the right to disallow the offering of STS Loans in accordance with the STS Regulation in the event that any safety and soundness issue should arise with an individual Pennsylvania state-chartered credit union.

¹ 17 Pa.C.S. § 501(e)(1), (f).



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If you need additional information or clarification regarding this letter, please contact Tim Blase, Director, Credit Unions Office, at 717.787.7333 or tblase@state.pa.us. In our supervisory and regulatory role, we at the Pennsylvania Department of Banking continue to look forward to working with you to make the Pennsylvania state charter the charter of choice for financial institutions in Pennsylvania.

Sincerely,

A handwritten signature in black ink, reading "Wendy S. Spicher". The signature is fluid and cursive, with the first name being the most prominent.

Wendy S. Spicher
Deputy Secretary of
Depository Institutions