

## FEDERAL MANDATE ANALYSIS COMPARISON

808 KAR 3:050

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- (1) Federal statute or regulation constituting the federal mandate. None
- (2) State compliance standards. None
- (3) Minimum or uniform standards contained in the federal mandate. n/a
- (4) Will this administrative regulation impose stricter requirements, or additional or different responsibilities or requirements, than those required by the federal mandate? n/a
- (5) Justification for the imposition of the stricter standard, or additional or different responsibilities or requirements. n/a

## REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

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(1) Provide a brief summary of:

(a) What this administrative regulation does:

This administrative regulation creates a process by which Kentucky state-chartered credit unions may obtain approval from the Kentucky Department of Financial Institutions (the "Department") to accept non-member deposits if these credit unions have obtained Low-income Designation ("LID") through the National Credit Union Association's ("NCUA"). Currently, nine (9) state-chartered Kentucky credit unions have obtained LID through the NCUA. However, these credit unions are currently not able to take advantage of the LID benefit of accepting non-member deposits, as this is not specified as an allowable activity under KRS 286.6. This regulation enables the Department to acknowledge the NCUA's LID designation of a Kentucky state-chartered credit union and affirms the ability of these credit unions to accept non-member deposits.

(b) The necessity of this administrative regulation:

Nine (9) Kentucky state-chartered credit unions have obtained LID through the NCUA. These credit unions are not currently able to take advantage of the LID benefit of accepting non-member deposits as KRS 286.6 does not expressly permit them to do so. This regulation enables the Department to acknowledge the NCUA's LID designation of a state-chartered credit union and affirms the ability of these credit unions to accept non-member deposits.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 286.6-070 authorizes the Department to promulgate administrative regulations necessary for the proper conduct and regulation of credit unions. This administrative regulation establishes requirements to ensure the proper conduct of credit unions. KRS 286.6-095 states that, notwithstanding any other provision of law, the Commissioner may make reasonable rules authorizing credit unions to exercise any of the powers conferred upon federal credit unions if the commissioner deems it reasonably necessary for the well-being of such credit unions. This regulation enables the Department to acknowledge the NCUA's LID designation of state-chartered credit unions and allows Kentucky state-chartered credit unions to fully participate in the federal LID program.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes:

This regulation assists in the effective administration of the statutes by setting forth rules and regulations for the proper conduct of credit unions.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation:

This administrative regulation adds a provision affirming that Kentucky state-chartered credit unions may fully participate in the NCUA's LID program, thus allowing these credit unions to take advantage of certain benefits available to the credit unions that participate in the LID program. This administrative regulation creates a process by which state-chartered credit unions may receive acknowledgment by the Department of their NCUA LID designation and may then accept non-member deposits.

(b) The necessity of the amendment to this administrative regulation:

Currently, Kentucky state-chartered credit unions are unable to fully avail themselves of the benefits of LID program participation and are therefore at a competitive disadvantage when compared to federally chartered credit unions and credit unions chartered in other states. This regulation will also encourage state-chartered credit unions to offer financial products and services in economically disadvantaged areas of Kentucky.

(c) How the amendment conforms to the content of the authorizing statutes:

KRS 286.6-070 authorizes the Department to promulgate administrative regulations necessary for the proper conduct and regulation of credit unions. This amendment establishes requirements to ensure the proper conduct of credit unions. KRS 286.6-095 states that, notwithstanding any other provision of law, the commissioner may make reasonable rules authorizing credit unions to exercise any of the powers conferred upon federal credit unions if the commissioner deems it reasonably necessary for the well-being of such credit unions. This regulation enables the Department to acknowledge the NCUA's LID designation of a Kentucky state-chartered credit union and affirms the ability of these credit unions to accept non-member deposits.

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation:

This amendment would affirm the ability of eighteen (18) state-chartered credit unions to fully participate in the federal LID program.

(4) Provide an analysis of how the entities identified in question (3) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:

(a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment:

This amendment creates an entirely optional process by which state-chartered credit unions may seek Department concurrence of their federal LID designation and affirmation from the Department that they may accept non-member deposits under the LID program.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3):

LID designation is entirely optional. If a credit union wishes to request a LID from the NCUA, the cost to the applicant will be minimal. These entities would possibly incur minimal costs in completing their request to the Department to recognize their LID designation.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3): State-chartered credit union that obtain a LID from the NCUA, and concurrence from the Department, will be able to avail themselves of benefits of LID designation including the ability to accept non-member deposits.

(5) Provide an estimate of how much it will cost the administrative body to implement this administrative regulation:

(a) Initially:

Costs to implement this regulation amendment are minimal, if any.

(b) On a continuing basis:

Costs for subsequent years are minimal, if any.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation:

Current Department resources.

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment:

The Department does not anticipate a need to increase fees or funding to implement this regulation.

(8) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees:

This administrative regulation does not establish any direct or indirect fees.

(9) TIERING: Is tiering applied? (Explain why or why not)

Tiering was not applied. The regulation did not require tiering to be applied to implement.

## FISCAL IMPACT STATEMENT

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(1) Identify each state statute, federal statute, or federal regulation that requires or authorizes the action taken by the administrative regulation.

KRS 286.6-070 and KRS 286.6-095 authorize this regulation.

(2) Identify the promulgating agency and any other affected state units, parts, or divisions:  
The Department of Financial Institutions (the "Department").

(a) Estimate the following for the first year:

Expenditures: see statement below

Revenues: see statement below

Cost Savings: see statement below

The effect on overall revenue for the Department will be minimal; this regulation will not have a substantial impact on the Department's budget.

(b) How will expenditures, revenues, or cost savings differ in subsequent years?

The effect on overall revenue for the Department will be minimal; this regulation will not have a substantial impact on the Department's budget.

(3) Identify affected local entities (for example: cities, counties, fire departments, school districts):

This regulation will not impact any local entities.

(a) Estimate the following for the first year:

Expenditures: see statement below

Revenues: see statement below

Cost Savings: see statement below

This regulation will not impact local entities.

(b) How will expenditures, revenues, or cost savings differ in subsequent years?

This regulation will not impact regulated local entities.

(4) Identify additional regulated entities not listed in questions (2) or (3):

This regulation will not impact any additional regulated entities.

(a) Estimate the following for the first year:

Expenditures: see statement below

Revenues: see statement below

Cost Savings: see statement below

This regulation will not impact additional regulated entities.

(b) How will expenditures, revenues, or cost savings differ in subsequent years?

This regulation will not impact any additional regulated entities.

(5) Provide a narrative to explain the:

(a) Fiscal impact of this administrative regulation:

There will be minimal fiscal impact from this regulation on the Department of Financial Institutions and on regulated entities. It is unclear how much cost savings this administrative regulation will generate for regulated credit unions, however this optional program will allow these credit unions to take advantage of economically advantageous benefits as part of the LID program.

(b) Methodology and resources used to determine the fiscal impact:

Requirements put in place by this regulation were examined and found to create negligible financial burden or revenue in regard to the Department of Financial Institutions or regulated entities.

(6) Explain:

(a) Whether this administrative regulation will have an overall negative or adverse major economic impact to the entities identified in questions (2) - (4). (\$500,000 or more, in aggregate) The amended regulation will not have a major economic impact on the regulated entities or the Department. Further, LID designation is entirely optional.

(b) The methodology and resources used to reach this conclusion:

Requirements put in place by this regulation were examined and found to create negligible financial burden as to the impacted entities.