May 14th:	
One-year Treasury	2.11
Two-year Treasury	2.53
Three-year Treasury	2.78
Five-year Treasury	3.22
Seven-year Treasury	3.50
Ten-year Treasury	3.92
Averaging these figures for the three days implies Treasury yields of:	
One-year Treasury	2.07
Two-year Treasury	2.43
Three-year Treasury	2.67
Five-year Treasury	3.13
Seven-year Treasury	3.44
Ten-year Treasury	3.87

The fully-indexed rate (the estimated interest rate after one-year) for the one-year variable-rate mortgage is calculated as the appropriate Treasury yield plus the margin: 2.07 + 2.75 = 4.82. Similarly, the fully-indexed rate (the estimated interest rate after five-years) for the five-year variable-rate mortgage is calculated as: 3.13 + 2.75 = 5.88.

The initial rate, fees and points, and fully-indexed rate are sufficient to compute APRs for the one-year and five-year variable-rate products. Full amortization, monthly compounding, and a two-percentage-point cap in the annual change in rates are assumed. The calculated APRs are:

One-year variable-rate rate	4.91
Five-year variable-rate rate	5.82

Data for the interpolated two-year and three-year variable-rate mortgages are calculated as weighted averages of the figures for the one- and five-year variable-rates which is used in conjunction with the yields on the two- and three-year Treasuries as follows:

Two-year variable-rate:	
Initial rate	[3×(5.18 − 2.07) + 1×(5.57 − 3.13)]/4 + 2.43 = 5.37
Fees & Points	[3×.7 + 1×.6]/4 = .7
Margin	[3×2.75 + 1×2.75]/4 = 2.75
Fully-indexed rate	2.75 + 2.43 = 5.18
Three-year variable-rate:	
Initial rate	[2×(5.18 − 2.07) + 2×(5.57 − 3.13)]/4 + 2.67 = 5.45
Fees & Points	[2×.7 + 2×.6]/4 = .7
Margin	[2×2.75 + 2×2.75]/4 = 2.75
Fully-indexed rate	2.75 + 2.67 = 5.42

Full amortization, monthly compounding, and a two-percentage-point cap in the annual change in rates yields calculated APRs of:

Two-year variable-rate rate	5.27
Three-year variable-rate rate	5.49

APRs for seven-year and ten-year variable-rate mortgages are estimated using the survey data for the five-year variable-rate and yields on the seven- and ten-year Treasuries:

Seven-year variable-rate:	
Initial rate	(5.57 − 3.13) + 3.44 = 5.88
Fees & Points	= .6
Margin	= 2.75
Fully-indexed rate	2.75 + 3.44 = 6.19
Ten-year variable-rate:	
Initial rate	(5.57 − 3.13) + 3.87 = 6.31
Fees & Points	= .6
Margin	= 2.75
Fully-indexed rate	2.75 + 3.87=6.62

Full amortization, monthly compounding, and a two-percentage-point cap in the annual change in rates yields calculated APRs of:

Seven-year variable-rate rate	6.09
Ten-year variable-rate rate	6.47

The initial rate and fees and points of the variable-rate mortgages calculated above are used to estimate threshold APRs for fixed-rate products with terms of ten years or less. The estimates are as follows:

One-year fixed:	
Initial rate	5.18
Fees & Points	.7
APR	5.96
Two-year fixed:	
Initial rate	5.37
Fees & Points	.7
APR	6.06
Three-year fixed:	
Initial rate	5.45
Fees & Points	.7
APR	5.92
Five-year fixed:	
Initial rate	5.57
Fees & Points	.6
APR	5.82
Seven-year fixed:	
Initial rate	5.88
Fees & Points	.6
APR	6.06
Ten-year fixed:	
Initial rate	6.31
Fees & Points	.6
APR	6.44

[FR Doc. E8–16501 Filed 7–29–08; 8:45 am]

BILLING CODE 6210–01–P

NATIONAL CREDIT UNION ADMINISTRATION

12 CFR Parts 702 and 704

RIN 3133–AD43

Prompt Corrective Action; Amended Definition of Post-Merger Net Worth

AGENCY: National Credit Union Administration (NCUA).

ACTION: Proposed rule.

SUMMARY: NCUA requests public comment on a proposed rule implementing a statutory amendment to the definition of a natural person credit union's ''net worth'' that applies solely to NCUA's system of regulatory capital standards, known as ''prompt corrective action.'' The amendment expands the definition of ''net worth'' to allow the acquiring credit union, in a merger of natural person credit unions, to include the merging credit union's retained earnings with its own to determine the acquirer's post-merger ''net worth.'' In a merger of corporate credit unions, the proposed rule similarly redefines corporate credit union capital to allow an acquiring credit union to include with its capital the retained earnings of the merging credit union to determine the acquirer's post-merger capital.

DATES: Comments must be received on or before September 29, 2008.

ADDRESSES: You may submit comments by any of the following methods (Please send comments by one method only):

- *Federal eRulemaking Portal: http://www.regulations.gov.* Follow the instructions for submitting comments.
- *NCUA Web Site: http://www.ncua.gov/RegulationsOpinionsLaws/proposed_regs/proposed_regs.html.* Follow the instructions for submitting comments.
- *E-mail:* Address to *regcomments@ncua.gov.* Include ''[Your name]—

Comments on Notice of Proposed Rulemaking for Parts 702 and 704'' in the e-mail subject line.

- *Fax:* (703) 518–6319. Use the subject line described above for e-mail.
- *Mail:* Address to Mary Rupp, Secretary of the Board, National Credit Union Administration, 1775 Duke Street, Alexandria, Virginia 22314–3428.
- *Hand Delivery/Courier:* Same as mail address.

FOR FURTHER INFORMATION CONTACT: *Technical:* Karen Kelbly, Chief Accountant, Office of Examination and Insurance, at the above address or by telephone: 703/518–6389; *Legal:* Steven W. Widerman, Trial Attorney, Office of General Counsel, at the above address or by telephone: 703/518–6557.

SUPPLEMENTARY INFORMATION:

A. Background

1. Natural Person Credit Unions

a. *Prompt Corrective Action.* In 1998, Congress enacted the Credit Union Membership Access Act (''CUMAA''), Public Law 105–219, 112 Stat. 913 (1998). CUMAA amended the Federal Credit Union Act to mandate a system of regulatory capital standards called ''prompt corrective action'' (''PCA'' or ''regulatory capital'') consisting of

minimum capital standards and corresponding remedies to improve the net worth of federally-insured ''natural person'' credit unions. 12 U.S.C. 1790d *et seq.* In 2000, the NCUA Board implemented a comprehensive system of PCA primarily under part 702.[1] 12 CFR 702 *et seq.*

A credit union's ''net worth ratio'' determines its classification among five statutory net worth categories. 12 U.S.C. 1790d(c); 12 CFR 702.102. As a credit union's classification among these categories declines, it is subject to an expanding range of PCA remedies to restore its net worth. These remedies consist of four mandatory supervisory actions prescribed by statute, 12 U.S.C. 1790d(e)–(g), and a series of discretionary supervisory actions developed by NCUA. 12 CFR 702.204(b).

CUMMA defines a natural person credit union's ''net worth ratio'' as the ratio of its net worth to its total assets. 12 U.S.C. 1790d(o)(3). For regulatory capital purposes,[2] it expressly limits a credit union's net worth to ''the retained earnings balance of the credit union, as determined under generally accepted accounting principles [''GAAP'']. '' 12 U.S.C. 1790d(o)(2)(A) (1998).[3] ''Not anticipating the consequences this rule addresses, the CUMAA net worth definition thus incorporated GAAP by reference generally, subject to future amendments and interpretations; it did not incorporate GAAP as a snapshot that preserved what GAAP then prescribed or how it was then interpreted.

b. *Financial Reporting of Mergers Between Mutual Enterprises.* GAAP pertaining to credit union mergers were originally embodied in the financial reporting rules for business combinations established by the Accounting Principles Board's (''APB'') Opinion No. 16, *Business Combinations* (1970) (''Opinion 16''). At the time CUMAA mandated PCA, the predominant practice for financial reporting of a credit union merger, whether of natural person or corporate credit unions, was to apply the ''pooling method.'' That method required an acquiring or continuing credit union (''acquiring credit union'') to combine with its own financial statement components the like components of the merging credit union. Consistent with the limited statutory definition of net worth, that method allowed an acquiring credit union to combine its own retained earnings with that of the merging credit union for purposes of measuring the acquirer's post-merger net worth ratio. The ''pooling method'' presumed that the retained earnings of the merging credit union flowed forward to the acquirer's financial statement, thus qualifying it as retained earnings of the acquirer.

The ''pooling method,'' in conjunction with the statutory definition of net worth, provided an incentive to merge because it allowed the acquiring credit union to combine the merging credit union's retained earnings, thus enhancing the acquirer's post-merger net worth. From a regulatory standpoint, the acquisition of an operationally troubled credit union by one that will be well capitalized as a result is a preferable alternative to conserving or liquidating the troubled credit union.

In 2001, the Financial Accounting Standards Board (''FASB'')—successor to the APB—replaced Opinion 16 as the source of GAAP for business combinations other than those between mutual enterprises with its Financial Accounting Statement No. 141, *Business Combinations* (2002) (''FAS 141''). FAS 141 replaced the ''pooling method'' of financial reporting of business combinations with the ''purchase method'' effective in June 30, 2001.

c. *Deferment of ''Acquisition Method'' for Mutual Combinations.* For mergers between mutual enterprises (''mutual combinations'') such as credit unions, FASB deferred the 2001 effective date of FAS 141 pending the outcome of its project on *Combinations Between Mutual Enterprises,* which explored a ''differences-based approach'' to mutual combinations. FAS 141 at ¶ 60. While the FAS 141 deferment for mutual combinations is pending, Opinion 16 continues to apply, and credit unions continue to use the ''pooling method'' of financial reporting of credit union mergers. But that deferment will expire at the end of 2008.

In December 2007, FASB decided that its revised method of financial reporting for business combinations should apply equally to mutual combinations and to combinations between other for-profit enterprises. Financial Accounting Statement No. 141(R), *Business Combinations* (2007) (''FAS 141(R)'') at ¶ 74. FAS 141(R) will apply to mutual combinations that take place in fiscal years beginning after December 15, 2008. In conjunction with the limited statutory definition of net worth, the net effect of FAS 141(R) is to mandate the ''purchase method'' of financial reporting—which it renamed the ''acquisition method''—for credit union mergers, resulting in the exclusion of a merging credit union's retained earnings from the post-merger net worth of an acquiring credit union.

d. *Acquisition Versus Pooling Method of Financial Reporting.* The ''acquisition method'' of financial reporting for credit unions would require the fair value of the net assets acquired in a merger to be classified as a direct addition to the acquirer's equity, not as an addition to its retained earnings. FAS 141(R) at ¶ A67. Because credit unions cannot count additions of equity in their net worth—which is limited by definition to GAAP retained earnings—an acquirer's net worth will not increase as the result of a merger. Moreover, the ''acquisition method'' may well reduce an acquirer's post-merger net worth because, as a ratio of total assets, it will be diluted by the addition and fair valuation of assets (*i.e.*, the denominator of the ratio) acquired in the merger.

Whereas the ''pooling method'' of financial reporting, when applied in conjunction with the statutory definition of net worth, provided an incentive to merge, the ''acquisition method'' would have exactly the opposite effect. The acquiring credit union's net worth ratio not only would not increase as a result of a merger, it probably would decline. The risk of being demoted to a lower PCA net worth category, and in turn being exposed to the mandatory and discretionary supervisory actions of PCA, would naturally discourage interest in mergers, thus limiting their availability to rescue troubled credit unions.

e. *Statutory Expansion of Net Worth Definition.* Concerned that FAS 141(R), in conjunction with the statutory limitation on net worth, would stifle credit union mergers, Congress enacted the Financial Services Regulatory Relief Act, Public Law 109–351, 120 Stat. 1966 (''2006 Relief Act'') in 2006. Section 504 of the 2006 Relief Act expanded the

[1] Since it was first adopted, part 702 has been amended four times. The first amendment incorporated limited technical corrections. 65 FR 55439 (Sept. 14, 2000). The second amendment deleted sections made obsolete by adoption of a uniform quarterly schedule for filing Call Reports. 67 FR 12459 (March 19, 2002). The third amendment incorporated a series of revisions and adjustments to improve and simplify the implementation of PCA. 67 FR 71078 (Nov. 29, 2002). Finally, the fourth amendment added a third risk-weighting tier to the standard risk-based net worth component for member business loans. 68 FR 56537, 56546 (Oct. 1, 2003). A proposal to modify the criteria for filing a net worth restoration plan, 67 FR 7113 (Nov. 29, 2002), was never adopted.

[2] In contrast, for financial reporting purposes, CUMMA requires credit unions to adhere to GAAP in the Call Reports required to be filed with the NCUA Board. 12 U.S.C. 1782(a)(6)(C)(i).

[3] In contrast to NCUA, Congress gave the other federal financial institution regulators the latitude to prescribe the ''relevant capital measures'' of their institutions. 12 U.S.C. 1831o(c)(1). As a result, the ''core capital'' of banks and thrifts is defined to include virtually all GAAP equity components, 12 CFR 325.2(v), whereas credit union capital is limited by law to the ''retained earnings'' component of equity. 12 CFR 702.2(f).

original PCA definition of a natural person credit union's ''net worth'' to include ''any amounts that were previously retained earnings of any other credit union with which [it] has combined.'' 12 U.S.C. 1790d(o)(2)(A) (2006). The express purpose of section 504 is to allow the acquiring credit union ''to follow the new FASB rule while still allowing the capital of both credit unions to flow forward as regulatory capital and thus preserve the incentive for desirable credit union mergers.'' Staff of Senate Comm. on Banking, Housing and Urban Affairs, 109th Cong., *Section-By-Section Analysis of Financial Services Regulatory Relief Act of 2006* (Comm. Print 2006) at 3.[4] To conform to the effective date of FAS 141(R), the modifications to part 702 implementing section 504 must take effect in final form on December 31, 2008, so that they will apply to natural person credit union mergers taking place after that date.

The following table compares the financial reporting and regulatory capital consequences of a credit union merger under present GAAP (pre-FAS 141(R)) and under new GAAP (post-FAS 141(R)) both with and without the proposed modifications to part 702:

POST-MERGER NET WORTH UNDER GAAP WITH AND WITHOUT PROPOSED RULE

	CURRENT GAAP	NEW GAAP WITHOUT PROPOSED RULE	NEW GAAP WITH PROPOSED RULE
GAAP Authority	APB Opinion No. 16	FAS 141 (R)	FAS 141 (R)
GAAP Financial Reporting Method (e.g. Call Report)	"Pooling Method"	"Acquisition Method"	"Acquisition Method"
GAAP Retained Earnings (A) (R/E = Retained Earnings)	Acquiring CU's R/E + Merging CU's R/E	Acquiring CU's R/E	Acquiring CU's R/E
GAAP Total Assets (B) (BkV = Book Value) (FV = Fair Value)	Acquiring CU's Total Assets @ BkV + Merging CU's Total Assets @ BkV	Acquiring CU's Total Assets @ BkV + Merging CU's Total Assets @ FV	Acquiring CU's Total Assets @ BkV + Merging CU's Total Assets @ FV
Net Worth Ratio = Retained Earnings (A) / Total Assets (B)	A / B	A / B	A + Merging CU's R/E / B
Net Worth Ratio = Retained Earnings (B) / Total Assets (A)	$45K / $450K	$ 30K / $ 500K	$30K + $15K / $500K
Post-Merger Net Worth Ratio	10%	6%	9%

2. Corporate Credit Unions

Corporate credit unions are exempt from PCA, 12 U.S.C. 1790d(m), but they are subject to a minimum ''capital ratio'' and to a requirement to calculate their ''retained earnings ratio'' on a monthly basis, both as provided by regulation.

a. *Minimum Capital Ratio.* A corporate credit union's ''capital ratio'' is defined as its capital (numerator) divided by its ''moving daily average net assets'' (denominator). 12 CFR 704.2. Its ''capital'' consists of the sum of its retained earnings, paid-in capital, and membership capital. *Id.* Of these, retained earnings and paid-in capital constitute ''core capital.'' *Id.* A corporate credit union is required to maintain a minimum capital ratio of four percent (4%) calculated at least monthly. 12 CFR 704.3(d). When its capital ratio falls and remains below that minimum, the corporate credit union is subject to remedies that resemble some of the mandatory and discretionary supervisory actions of PCA (*e.g.*, ''capital restoration plan,'' earnings retention requirement, and ''capital directives''). 12 CFR 704.2(g), (h) and (i).

b. *Retained Earnings Ratio.* A corporate credit union's ''retained earnings ratio'' is defined as its retained earnings divided by its moving daily average net assets. 12 CFR 704.2. A corporate credit union is required to

[4] Available at: *http://banking.senate.gov/public/_files/RegRel_summary.pdf.*

calculate its ''retained earnings ratio'' on a monthly basis. 12 CFR 704.3(i). If the retained earnings ratio is less than 2 percent, the credit union becomes subject to an earnings retention requirement. *Id.*

3. Issues for Comment

NCUA welcomes public comment on this proposed rule. To facilitate consideration of the public's views, we ask commenters to organize and identify their comments by credit union type (natural person or corporate) or regulation (part 702 or part 704) and by corresponding topic or definition. General comments, if any, should be included in a separately identified section. Please recognize that NCUA does not establish GAAP, does not oversee FASB, does not have the power to reinstate the ''pooling method,'' and does not have the authority to override or expand limitations and definitions prescribed by law. Therefore, this rulemaking will not address comments advocating any of these actions.

B. Discussion of Proposed Modifications

1. Part 702—Natural Person Credit Union's Post-Merger Net Worth

The 2006 Relief Act's redefinition of ''net worth'' for natural person credit unions is implemented through Part 702's PCA definitions. The present definition of ''net worth,'' 12 CFR 702.2(f), is reorganized into subsections and includes the following new subsection:

(3) For a credit union that acquires another credit union in a mutual combination, net worth also includes the retained earnings of the acquired credit union, or of an integrated set of activities and assets, at the point of acquisition. A mutual combination is a transaction in which a credit union acquires either another credit union, or an integrated set of activities and assets that is capable of being conducted and managed as a credit union for the purpose of providing a return in the form of economic benefits directly to owner members.

In the first sentence, proposed subsection (3) adds to an acquiring credit union's net worth an amount equal to the merging credit union's retained earnings balance at the point it was acquired, yielding a regulatory capital measure that approximates the net worth previously obtainable under the ''pooling method.'' [5]

Proposed subsection (3) is not limited in scope to the acquisition by merger of a credit union as an intact legal entity. FAS 141(R) at ¶3d. The definition of ''mutual combination'' in the second sentence incorporates the GAAP definition of a ''business'' and a ''business combination.'' FAS 141(R) at ¶¶3d–e. This allows subsection (3) to apply to transactions (e.g., certain purchase and assumptions) that convey substantially all of the components of a credit union, even though the components together no longer legally constitute a credit union.

The net effect of the modifications to part 702 is to apply FAS 141(R) to natural person credit union mergers for financial reporting purposes, while for PCA purposes replicating the post-merger net worth that would have resulted under the ''pooling method.'' These modifications affect only the measurement of a credit union's post-merger regulatory capital under PCA; financial reporting in its Call Report still must adhere to GAAP (i.e., acquirer's retained earnings balance must be reported consistent with GAAP). 12 U.S.C. 1782(a)(6)(C)(i).

2. Part 704—Corporate Credit Union's Post-Merger Capital

The proposed rule modifies part 704 [Corporate Credit Unions] to expand the definitions associated with corporate credit union capital to correspond with the statutory expansion of net worth for natural person credit unions. As such, the definition of the ''capital'' and ''core capital'' of a corporate credit union that acquires another credit union by merger is modified to include ''the retained earnings of the acquired credit union, or of an integrated set of activities and assets, at the point of acquisition.'' The same modification is made to the definition of a corporate credit union's ''retained earnings ratio.'' Further, to encompass not only the acquisition of a credit union as an intact legal entity, but also as a group of credit union components that together are no longer legally constituted as such, the proposed rule adds a separate definition of ''mutual combination'' that, like proposed section 702.2(f)(3), incorporates the GAAP definition of ''business'' and ''business combination.''

The NCUA Board has greater flexibility to define corporate credit union capital than the 2006 Relief Act allows for the net worth of natural person credit unions. 12 U.S.C. 1766(a). Therefore, to more closely approximate the regulatory capital result of the ''pooling method,'' identifiable and unidentifiable intangibles are excluded from the definition of a corporate credit union's ''moving daily average net assets'' (''MDANA'')—the denominator of the capital ratio. Identifiable intangibles could include existing member relationships (i.e., core deposit intangibles) and unserved portions of a field of membership; unidentifiable intangibles include predominantly goodwill. The purpose of excluding intangibles from the MDANA denominator of the capital ratio is to approximate the denominator of the capital ratio under the ''pooling method.'' That denominator did not reflect the merging credit union's intangibles, nor the increased valuation of its tangible assets. This approach resembles the approach followed by other Federal banking regulators.

Even though the statutory definition of net worth does not permit natural person credit unions to exclude intangibles, allowing corporate credit unions to do so approximates for regulatory capital purposes the result that would have been achieved under the ''pooling method.'' The Board welcomes public comment on whether this approach adequately addresses the risk of devaluation and possible loss to the National Credit Union Share Insurance Fund.

The net effect of the modifications to part 704 is to apply FAS 141(R) to financial reporting of corporate credit union mergers while replicating the post-merger capital, capital ratio and retained earnings that would have resulted under the ''pooling method.'' These modifications to part 704 must take effect in final form on December 31, 2008, to parallel the effective date of the modifications to part 702 that implement the expanded definition of ''net worth.''

Regulatory Procedures

Regulatory Flexibility Act

The Regulatory Flexibility Act requires NCUA to prepare an analysis describing any significant economic impact a proposed regulation may have on a substantial number of small credit unions (primarily those under $10 million in assets). The proposed rule implements an Act of Congress expanding the definition of a natural person credit union's net worth. 12 U.S.C. 1790d(o)(2)(A) (2006). The rule affects the calculation of the post-merger net worth of an acquiring credit union, the vast majority of which exceed $10 million in assets. Accordingly, the proposed rule, if adopted, will not have a significant economic impact on a substantial number of small credit unions. The NCUA Board invites comment on this issue.

[5] The result approximates, but does not duplicate, that of the ''pooling method'' because CUMAA does not authorize a corresponding exclusion of intangibles from the ''total assets'' denominator of the net worth ratio.

Paperwork Reduction Act

NCUA has determined that the proposed rule would not increase paperwork requirements under the Paperwork Reduction Act of 1995 and regulations of the Office of Management and Budget. Control number 3133–0154 has been issued for part 702 and control number 3133–0129 has been issued for part 704. Both will be displayed in the table at 12 CFR part 795.

Executive Order 13132

Executive Order 13132 encourages independent regulatory agencies to consider the impact of their regulatory actions on State and local interests. NCUA, an independent regulatory agency as defined in 44 U.S.C. 3502(5), voluntarily adheres to the fundamental federalism principles addressed by the executive order. This proposed rule would apply to all federally-insured credit unions, including State-chartered credit unions, and thus may raise some federalism implications. However, the proposal is unlikely to have a direct effect on the States, on the relationship between the national government and the States, or on the distribution of power and responsibilities among the various levels of government because it facilitates, rather than diminishes, the ability of state-chartered credit unions to combine with other credit unions.

Treasury and General Government Appropriations Act, 1999

NCUA has determined that the proposed rule will not affect family well-being within the meaning of section 654 of the Treasury and General Appropriations Act, 1999, Public Law 105–277, 112 Stat. 2681 (1998).

List of Subjects in 12 CFR Parts 702 and 704

Credit unions, Reporting and recordkeeping requirements, Surety bonds.

By the National Credit Union Administration Board on July 24, 2008.

Mary Rupp,

Secretary of the Board.

For the reasons set forth above, NCUA proposes to amend 12 CFR parts 702 and 704 as follows:

PART 702—PROMPT CORRECTIVE ACTION

1. The authority citation for part 702 continues to read as follows:

Authority: 12 U.S.C. 1766(a), 1790d.

2. Amend § 702.2 by revising paragraph (f) to read as follows:

§ 702.2 Definitions.

* * * * *

(f) *Net Worth* means—

(1) The retained earnings balance of the credit union at quarter-end as determined under generally accepted accounting principles, subject to paragraph (f)(3) of this section. Retained earnings consists of undivided earnings, regular reserves, and any other appropriations designated by management or regulatory authorities;

(2) For a low income-designated credit union, net worth also includes secondary capital accounts that are uninsured and subordinate to all other claims, including claims of creditors, shareholders and the NCUSIF; and

(3) For a credit union that acquires another credit union in a mutual combination, net worth includes the retained earnings of the acquired credit union, or of an integrated set of activities and assets, at the point of acquisition. A mutual combination is a transaction in which a credit union acquires another credit union, or acquires an integrated set of activities and assets that is capable of being conducted and managed as a credit union for the purpose of providing a return in the form of economic benefits directly to owner members.

* * * * *

PART 704—CORPORATE CREDIT UNIONS

1. The authority citation for part 704 continues to read as follows:

Authority: 12 U.S.C. 1766(a), 1781, 1789.

2. Amend § 704.2 by:

a. Revising the current definitions of *Capital*, *Core capital*, *Moving daily average net assets* and *Retained earnings ratio* to read as set forth below; and

b. Adding the definition of *Mutual combination* following the revised definition of *Moving daily average net assets*, to read as follows:

§ 704.2 Definitions.

* * * * *

Capital means the sum of a corporate credit union's retained earnings, paid-in capital, and membership capital. For a corporate credit union that acquires another credit union in a mutual combination, capital includes the retained earnings of the acquired credit union, or of an integrated set of activities and assets, at the point of acquisition.

* * * * *

Core capital means the sum of a corporate credit union's retained earnings, and paid-in capital. For a corporate credit union that acquires another credit union in a mutual combination, core capital includes the retained earnings of the acquired credit union, or of an integrated set of activities and assets, at the point of acquisition.

* * * * *

Moving daily average net assets means the average of daily average net assets exclusive of identifiable and unidentifiable intangibles for the month being measured and the previous eleven (11) months.

Mutual combination means a transaction or event in which a corporate credit union acquires another credit union, or acquires an integrated set of activities and assets that is capable of being conducted and managed as a credit union for the purpose of providing a return in the form of economic benefits directly to owner members.

* * * * *

Retained earnings ratio means the corporate credit union's retained earnings divided by its moving daily average net assets. For a corporate credit union that acquires another credit union in a mutual combination, the numerator of the retained earnings ratio also includes the retained earnings of the acquired credit union, or of an integrated set of activities and assets, at the point of acquisition.

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[FR Doc. E8–17415 Filed 7–29–08; 8:45 am]

BILLING CODE 7535–01–P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 71

[Docket No. FAA–2007–28391; Airspace Docket No. 07–AAL–10]

RIN 2120–AA66

Proposed Modification of the Norton Sound Low, Woody Island Low, Control 1234L and Control 1487L Offshore Airspace Areas; AK

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Notice of proposed rulemaking (NPRM).

SUMMARY: This action proposes to amend the Norton Sound Low, Woody Island Low, Control 1234L, and Control 1487L Offshore Airspace Areas in Alaska. This action would modify these areas by lowering the airspace floors to provide additional controlled airspace for aircraft instrument flight rule (IFR) operations at Alaska airports.