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Title 12 - Banks and Banking

Chapter VII - National Credit Union Administration

Subchapter A - Regulations Affecting Credit Unions

Part 701 - Organization and Operation of Federal Credit Unions

Authority: 12 U.S.C. 1752(5), 1755, 1756, 1757, 1758, 1759, 1761a, 1761b, 1766, 1767, 1782, 1784, 1785, 1786, 1787, 1788, 1789. Section 701.6 is also authorized by 15 U.S.C. 3717. Section 701.31 is also authorized by 15 U.S.C. 1601 *et seq.*; 42 U.S.C. 1981 and 3601-3610. Section 701.35 is also authorized by 42 U.S.C. 4311-4312.

§ 701.38 Borrowed funds.

- (a) Federal credit unions may borrow funds from any source; provided that:
 - (1) The borrowing is evidenced by a written contract, such as a signed promissory note, that sets forth the terms and conditions including, at a minimum, maturity, prepayment, interest rate, method of computation of interest, and method of payment; and
 - (2) The written contract and any solicitation with respect to such borrowing contain clear and conspicuous language indicating that:
 - (i) The funds represent money borrowed by the Federal credit union; and
 - (ii) The funds do not represent shares and, therefore, are not insured by the National Credit Union Administration.
- (b) A Federal credit union is subject to the maximum borrowing authority of an aggregate amount not exceeding 50 percent of its paid-in and unimpaired capital and surplus. Provided that any Federal credit union may discount with or sell to any Federal intermediate credit bank any eligible obligations up to the amount of its paid-in and unimpaired capital (12 U.S.C. 1757(9)).

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