

programs, with an original maturity of one year or less.

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(b) * * *

(9) *Early amortization.* (i) A savings association that originates a securitization of revolving retail credits that contains early amortization triggers must risk weight the off-balance sheet portion of such a securitization (investors' interest) by multiplying the outstanding principal amount of the investors' interest by the appropriate credit conversion factor as provided by paragraph (b)(9)(ii) or (iii) of this section and then assigning the resultant credit equivalent amount to the appropriate risk weight category.

(ii) *Calculation of credit conversion factor.* (A) The credit conversion factor to be applied to such a securitization generally is a function of the securitizations' most recent three-month average excess spread level, the point at which excess spread in the

securitization must be trapped in a spread or reserve account (spread trapping point), and the excess spread level at which an early amortization of the securitization is triggered (early amortization trigger). This difference between the spread trapping point and the early amortization trigger is the excess spread differential.

(B) The excess spread differential must then be divided by four to create the standard excess spread differential value. This value will be used to determine the appropriate credit conversion factor in accordance with Table D of this section. The upper and lower bounds for each of the excess spread differential segments is calculated using the spread trapping point and the standard excess spread differential value in accordance with the formulas provided in Table D of this section. However, if the securitization documents do not require excess spread to be diverted to a spread or reserve

account at a certain level, the excess spread differential is equal to 4.5 percentage points.

(C) (1) If the three-month average excess spread equals or exceeds the securitization's spread trapping point, then the credit conversion factor is equal to zero. If the three-month average excess spread is less than the spread trapping point, then the credit conversion factors (5 percent, 10 percent, 50 percent, and 100 percent) are then assigned to each of the four equal excess spread differential segments in descending order, beginning at the spread trapping point as the securitization approaches early amortization, in accordance with Table D of this section.

(2) If the securitization does not use the excess spread as an early amortization trigger, then a 10 percent credit conversion factor is applied to the current outstanding principal balance of the investors' interest.

TABLE D.—CALCULATION OF CREDIT CONVERSION FACTORS FOR EARLY AMORTIZATIONS

Excess spread differential segments	Excess spread ranges	Credit Conversion factor (percent)
1	Excess spread equals or exceeds the trapping point	0
2	Upper Bound < Spread Trapping Point	5
	Lower Bound = Spread Trapping Point—(1 × SESDV)	
3	Upper Bound < Spread Trapping Point—(1 × SESDV)	10
	Lower Bound = Spread Trapping Point—(2 × SESDV)	
4	Upper Bound < Spread Trapping Point—(2 × SESDV)	50
	Lower Bound = Spread Trapping Point—(3 × SESDV)	
5	Upper Bound < Spread Trapping Point—(3 × SESDV)	100
	Lower Bound = None	

Note: SESDV is the standard excess spread differential value.

(iii) *Limitations on risk-based capital requirements.* For a savings association subject to the early amortization requirements in paragraph (b)(9) of this section, the total risk-based capital requirement for all of the savings association's exposures to a securitization of revolving retail credits is limited to the greater of the risk-based capital requirement for residual interests or the risk-based capital requirement for the underlying securitized assets calculated as if the savings association continued to hold the assets on its balance sheet.

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Dated: September 9, 2003.

By the Office of Thrift Supervision.

James E. Gilleran,
Director.

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6714-01-P

NATIONAL CREDIT UNION ADMINISTRATION

12 CFR Parts 701 and 741

Suretyship and Guaranty; Maximum Borrowing Authority

AGENCY: National Credit Union
Administration (NCUA).

ACTION: Proposed rule.

SUMMARY: NCUA is proposing to revise its rules concerning maximum borrowing authority to permit federally insured, State-chartered credit unions (FISCUs) to apply for a waiver from the maximum borrowing limitation of 50 percent of paid-in and unimpaired capital and surplus (shares and undivided earnings, plus net income or minus net loss). This amendment will provide FISCUs with more flexibility by allowing them to apply for a waiver up to the amount permitted under State law.

NCUA is also proposing adding a provision to its regulations that allows a Federal credit union (FCU) to act as surety or guarantor on behalf of its members. The proposal establishes certain requirements to ensure that FCUs, and FISCUs if permitted under state law to act as a surety or guarantor, are not exposed to undue risk.

DATES: The NCUA must receive comments on or before December 1, 2003.

ADDRESSES: Direct comments to Becky Baker, Secretary of the Board. Mail or hand-deliver comments to: National Credit Union Administration, 1775 Duke Street, Alexandria, Virginia 22314-3428. Fax comments to (703) 518-6319. E-mail comments to regcomments@ncua.gov. Please send comments by one method only.

FOR FURTHER INFORMATION CONTACT: Mary F. Rupp, Staff Attorney, Division of Operations, Office of General