

DATE: April 30, 2012
BULLETIN: 2012-KDCU-CUB-02
TO: Management of Kansas Chartered Credit Unions
SUBJECT: Member Business Lending

Kansas chartered credit unions that do member business lending (MBL) must follow the National Credit Union Administration (NCUA) Rules and Regulations Part 723.1 through 723.21. NCUA's web address for MBL rules and regulations is <http://www.ncua.gov/>. Credit unions must be aware and follow the specific requirements of NCUA Part 723. **Below is a summary of part of the NCUA MBL regulations:**

§723.21 provides examples of MBLs.

§723.6 requires the Board of Director's adoption of specific business loan policies and a review of them at least annually.

§723.5 requires the board to use the services of an individual with at least two years direct experience with the type of MBL the credit union will be engaging in. This section's requirements can be met through various approaches such as using the services of a CUSO, an employee of another credit union, an independent contractor, or other third parties.

§723.6 lists the minimum requirements for a Board of Directors adopted MBL policy.

§723.7 lists the collateral and security requirements. Among these requirements KDCU recently has reviewed MBLs that exceed the maximum loan-to-value of 80%.

§723.8 specifies the amount one member or a group of associated members may borrow. KDCU has recently examined credit unions where the limitation of 15% of the credit union's net worth is not followed.

§723.10 list the areas for which waivers are available. §723.11 describes how to apply for a waiver. Waivers should be addressed to the Administrator who will forward the request to NCUA.

§723.16 lists the aggregate member business loan limit. Generally the total of a credit union's net member business loan balances and the nonmember loan balances must not exceed the lesser of 1.75 times the credit union's net worth or 12.25% of the credit union's total assets unless the credit union has **first** received approval from the Administrator and the NCUA regional director. Requests to exceed the aggregate MBL limit must be submitted to and approved by the KDCU Administrator who will forward the request to the NCUA regional director.

Credit unions who engage in MBL must carefully follow Part 723.1 through 723.21. Please contact your financial examiner or the Topeka office if you have questions or require assistance.

/s/ John P. Smith

John P. Smith, Administrator

April 27, 2012