

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF BUSINESS REGULATION
DIVISION OF BANKING**



POLICY STATEMENT NUMBER DBR B98-3

DATE: November 25, 1998

SUBJECT: 12 C.F. R. Part 723 - Member Business Loans ("MBL's")

Pursuant to 12 C.F.R. Part 723.11, a state chartered federally insured credit union may obtain a waiver on NCUA MBL's restrictions relating to:

1. Loan-to-value ratios;
2. Maximum loan amount to one borrower or associated group of borrowers; and
3. Construction and development loan limits.

A request for the waiver must be submitted to the Division. If the Division approves the request, we will forward the request to NCUA's Regional Director. Any request submitted by a credit union shall contain at a minimum, the following:

1. A copy of its business lending policy;
2. The waiver or higher limit sought;
3. An explanation of the need to raise the limit or obtain the waiver;
4. Documentation supporting the credit union's ability to manage the subject activity;
5. An analysis of the credit union's prior experience making MBL's, including at a minimum:
 - a) The history of loan losses and loan delinquency;
 - b) Volume and cyclical or seasonal patterns;
 - c) Diversification;
 - d) Concentrations of credit to one borrower or group of associated borrowers in excess of 15% of reserves (excluding the Allowance For Loan Losses Account);
 - e) Underwriting standards and practices;
 - f) Types of loans grouped by purpose and collateral; and
 - g) The qualifications of personnel responsible for underwriting and administering MBL's.

The Division will:

1. Review the information provided in the request;
2. Evaluate the level of risk to the credit union;
3. Consider the credit union's historical CAMEL composite and component ratings; and
4. Notify NCUA of the action taken within 45 calendar days of receiving the request.

Pursuant to 12 C.F.R. Part 723.18 a state chartered federally insured credit union may obtain an

exception to the aggregate member business loan limit under the circumstances identified under 12 C.F.R. Part 723.17.

A request for the exception must be filed with the Division along with documentation demonstrating that it meets the criteria of one of the exceptions contained in 12 C.F.R. Part 723.17. The Division will then send its decision to NCUA. The exception remains until revoked by the Division.

For purposes of this Part:

- (1) A credit union holding a community charter is considered to have a history of primarily making MBL's.
- (2) A credit union not holding a community charter is considered to have a history of primarily making MBL's if:
 - i. MBL's comprise at least 25% of the credit union's outstanding loans; or
 - ii. MBL's comprise the largest portion of the credit union's loans portfolio (i.e. 23% MBL's, 22% first mortgage loans, 22% auto loans, 20% credit card loans, and 13% total other real estate loans).

Pursuant to 12 C.F.R. Part 723.20 it is the policy of the Division to adopt, if not contrary to state law, the NCUA member business loan rules and regulations in their entirety. The Division retains the right to amend this policy in the event that compelling circumstances warrant the issuance of a state member business loan rule.