



State of Wisconsin  
Department of Financial Institutions

Scott McCallum, Governor

John F. Kundert, Secretary

August 6, 2002

LETTER 2-02  
CHAPTER DFI-CU 72  
MEMBER BUSINESS LOANS

TO ALL CREDIT UNIONS:

Chapter DFI-CU 72 of the Wisconsin Administrative Code becomes effective September 1, 2002. Wisconsin credit unions offering member business loans should follow the provisions of DFI-CU 72, instead of Part 723 of the NCUA Rules and Regulations beginning on September 1<sup>st</sup>.

The primary differences between the Wisconsin rule and the NCUA rule are:

- There is no requirement in DFI-CU 72 for personal guarantees. Although the regulatory requirement for personal guarantees has been eliminated in the rule, it is expected that credit unions will continue to require personal guarantees as required by their business loan policies/underwriting guidelines.
- DFI-CU 72.04(2)(a) requires the borrower to have a minimum of 30% equity interest in the project being financed if the loan is for land development and (b) requires 25% equity interest if the loan is for construction or for a combination of development and construction. Part 723 requires 35% equity interest in a construction or development project being financed. DFI-CU 72-04(4) requires the credit union to utilize the services of an individual with at least five years direct experience in construction and development lending versus the two-year requirement in the NCUA rule.
- DFI-CU 72.06(14) requires the business loan policy to contain guidelines for the purchase and sale of business loans and loan participations if the credit union intends to engage in these activities.
- DFI-CU 72.07(1)(b) allows for a new category of unsecured member business loans. The amount of the loan(s) to any one individual cannot exceed 1% of the credit union's net worth and the aggregate of unsecured loans under this section cannot exceed 10% of the credit union's net worth. A credit union cannot make such loans if its net worth ratio is below 7%.

**Each credit union that makes subsection 72.07(1)(b) member business loans must submit a listing of these loans to the Office of Credit Unions with each Call Report.**

If you have any questions regarding this letter or the Member Business Loan Rule, please contact this office.

Sincerely,

Ginger Larson  
Director  
OFFICE OF CREDIT UNIONS

Enclosure: Wisconsin Administrative Code for Credit Unions



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