



State of Wisconsin
Department of Financial Institutions

Scott Walker, **Governor**

Jay Risch, **Secretary**

January 22, 2018

GENERAL LETTER CU 1-18
5300 CALL REPORT INSTRUCTIONS SUPPLEMENT

TO ALL CREDIT UNIONS:

The National Credit Union Administration (NCUA) revised the September 2017 5300 Call Report for Business and Commercial Lending due to recent changes to Part 723 of NCUA Rules and Regulations, *Member Business Loans: Commercial Lending*. Wisconsin Administrative Code DFI-CU 72 sets forth the rule for member business loans for Wisconsin state-chartered credit unions. DFI-CU 72 is still in effect and must be followed by credit unions providing member business loans.

There are now inconsistencies between the federal and state rule which has caused challenges in completing the 5300 Call Report. Wisconsin credit unions are expected to complete the 5300 Call Report per the NCUA Instructions. This letter serves to provide supplemental instruction to assist in the preparation of the call report. Note that the Call Report instructions have been updated since September 2017. The 5300 Call Report Form, updated Instructions, Account Descriptions and a list of the changes can be obtained at www.ncua.gov

Please reference pages 16 of the Call Report and pages 71-79 of the Call Report Instructions for the section on Business and Commercial Lending. Credit unions must now distinguish their loans as commercial loans and member business loans. A chart on page 72 of the instructions is helpful.

On page 16 of the Call Report, Business & Commercial Lending, there are five sections:

1. Commercial loans to members are reported on line 1 (a-k) on page 16. Commercial loans should **not** include business loans fully secured by a 1- to 4 unit family residential property; business loans secured by a vehicle manufactured for household use (see instructions on page 71 and chart on page 72 for details); business loans with aggregate balance member business loan balance less than \$50,000 and business loans fully secured by shares in the credit union or deposits in other financial institutions (see chart on page 72).
2. Purchased commercial loans or participation interests to **nonmembers** are reported on page 16, line 2 (a-k). These loans are not considered member business loans on page 16, line 7 and should not be reported on line 7. (Note: these loans are considered member business loans in Wisconsin and will be added to the total member business loans reported on line 7 when calculating the regulatory limit. However, follow the NCUA instructions and do not include them on line 7 of the Call Report.)

Office of Credit Unions

Mail: PO Box 14137 Madison, WI 53708-0137
Voice: (608) 261-9543

Courier: 201 W. Washington Ave. Suite 500, Madison, WI 53703
Fax: (608) 267-0479 Internet: www.wdfi.org

3. There is a Miscellaneous Commercial Loan Section.
4. The Regulatory Reporting section (page 16, lines 7 and 8) is extremely important. For line 7, Total Member Business Loans – Net Member Business Loan Balance (NMBLB, account 400A), the NMBLB is used to determine compliance with the statutory limits for the aggregate amount of member business loans that may be held by a credit union. Please see the specific instructions on pages 76-77 for calculating the NMBLB and note that the NMBLB includes unfunded commitments.

For call reporting purposes, this line should include:

- Total Commercial Loans to Members (account 400A1 on page 16, line 1k)
- Net Member Business Loan Balance (> \$50,000) comprised of 1-4 Family Residential Properties (account 400N on page 16, line 8) – **these are not commercial loans** and should not be reported on line 1 (a-k). However, these loans must be reported on lines 9-10 on page 6.
- Any other Member Business Loans (with loan balance > \$50,000) For example, business loans secured by a vehicle manufactured for household use meeting definition on page 71 of instructions and other member business loans with aggregate balance greater than \$50,000.

Note that any loan in which a federal or state agency (or its political subdivision) fully insures or guarantees repayment or provides an advance commitment to purchase the loan in full is not a member business loan and is not counted towards the aggregate limit for any credit union.

As alluded to in point #2, any non-member commercial loan or non-member participation interest in a commercial loan made by another lender (provided the credit union acquired the non-member loans and participation interests in compliance with all relevant laws and regulations and it is not, in conjunction with one or more other credit unions, trading member business loans to circumvent the aggregate limit) is not considered a member business loan for credit unions that follow Part 723. However, these loans are considered to be a member business loans in Wisconsin until the current rule (DFI-CU 72) is updated and will be considered when calculating compliance with the regulatory limit.

5. There is a Risk Based Net Worth sections to be completed by credit unions with assets greater than \$50 million. *Please read the instructions on page 78 closely for reporting on lines 9-11.*

Again, it is important that great care and accuracy is used in completing the 5300 Call Report. I encourage you to closely read the instructions on pages 71-79. Credit unions should retain their documentation related to completing the 5300 Call Report as it may be reviewed by examiners.

If you have questions, please contact the Office of Credit Unions at 608-261-9543.

Sincerely,



Kim Santos
Director