

STATE OF WISCONSIN  
OFFICE OF CREDIT UNIONS

Report From Agency

**RULE REPORT TO THE LEGISLATURE**

Commercial and Member Business Loans  
Chapter DFI-CU 72 / CR 17-063

**Attached:** Proposed rule, fiscal estimate and economic impact analysis and Clearinghouse report to agency.

**Governor's approval:** The governor approved this rule March 23, 2018.

**Basis and purpose of the proposed rule:** The proposed rule repeals and recreates ch. DFI-CU 72, Admin. Code, to reflect changes effective January 1, 2017 to the National Credit Union Administration's (NCUA's) member business loans and commercial lending rules, 12 C.F.R. Part 723. Prior to the revision, ch. DFI-CU 72 and 12 C.F.R. Part 723 were substantially similar. The proposed rule updates Wisconsin's rules to reflect revisions to its federal counterpart. Proposed changes strengthen a credit union's board of directors and management responsibilities; replace current loan-to-value requirements and portfolio limits with a risk-based approach; modify waiver requirements and processes for obtaining waivers; and calculate the member business loan cap as a multiple of net worth, and not as a percentage of assets.

**Summary of comments, agency's response, and explanation of any modifications as a result of comments or testimony:**

1. Request to add the limited exception that is found in the NCUA's rule, which exempts certain small credit unions that rarely do business lending from having to implement commercial lending policies and hiring lending staff who meet certain experience requirements.

Response: The Office of Credit Unions (OCU) decided not to incorporate the requested limited exception because the OCU believes any credit union wishing to offer commercial loans or member business loans should have a policy in place and management approval.

2. Request to add to proposed s. 72.09(2)(c) the examples in current s. 72.15(3) regarding documentation the OCU will consider for an exemption.

Response: The agency agreed and included the examples in the current rule into the proposed rule.

3. Request that s. DFI-CU 72.05 be titled 'Commercial Loan Policy' in parity with the Federal rule and to clarify expectation of enhanced risk management practices for commercial loans as defined in the rule, distinct from non-commercial member business loans, such as loans secured by 1-4 family non-owner occupied residential properties.

Response: The OCU decided not to incorporate this request because in essence the policy is a commercial and member business loan policy.

4. Request that s. DFI-CU 72.07(1) numerator be defined as total 'commercial loans' to one borrower or group of associated borrowers in parity with the federal rule and consistent with the commercial loan policy requirements.

Response: The agency agreed and replaced the reference to member business loans with commercial loans.

**Persons appearing or registering for or against the rule at hearing:**

Speaking in favor: Brett Thompson, WI Credit Union League; Adam Newman, Landmark Credit Union; Jim Wynn, Westconsin Credit Union; and Derek Freis, Simplicity Credit Union

Speaking against: None

Speaking for information purposes only: None

Registering in favor, but not speaking: Chris Allen, Fox Communities Credit Union; Colleen Woggen, Oakdale Credit Union; Val Mindak, Park City Credit Union; Tim Hoff, Community First Credit Union; John Nygaard, Community First Credit Union; Mark Kennedy, Summit Credit Union; Steve Wilder, Covantage Credit Union

Registering against, but not speaking: Jon Turke, Wisconsin Bankers Association

Attending for information only: Jeff Blauer, Coop Credit Union; Jackson Burgau, Heartland Credit Union

**Changes to analysis or fiscal estimate:** None.

**Response to legislative council recommendations:** The recommendations were adopted in whole.

**Final regulatory flexibility analysis, changes to energy impact report, housing impact analysis, and response to any report prepared by the SBRRB:** n/a