

Chapter CU 70

PARTICIPATION LOAN AUTHORITY
PARITY WITH FEDERAL CREDIT UNIONS

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CU 70.01 Purpose and scope. The purpose of this rule is to permit Wisconsin-chartered credit unions to engage in loan participation contracts with one or more credit unions, credit union organizations, and financial organizations in the same manner that such participation contracts are available to federally chartered credit unions.

History: Cr. Register, February, 1988, No. 386, eff. 3-1-88.

CU 70.02 Interpretation. The interpretation of rules in this chapter shall be coordinated with and parallel to the interpretation of federal laws, regulations, and interpretations from which these rules are derived.

Note: This rule parallels 12 CFR Part 701.22, *Loan Participation*, effective February 1985.

History: Cr. Register, February, 1988, No. 386, eff. 3-1-88.

CU 70.03 Definitions. In this chapter:

(1) "Credit union" means any federal or state-chartered credit union.

(2) "Credit union organization" means any organization as determined by the commissioner established primarily to serve the daily operational needs of its member credit unions. The term does not include trade associations, membership organizations principally composed of credit unions, or corporations or other businesses which principally provide services to credit union members as opposed to corporations or businesses whose business relates to the daily in-house operation of credit unions.

(3) "Eligible organization" means a credit union, credit union organization, or financial organization.

(4) "Financial organization" means any federally chartered or federally insured financial institution.

(5) "Originating lender" means the participant with which the member contracts.

(6) "Participation loan" means a loan made in participation with one or more eligible organizations, where the written commitment to participate in the loan precedes final disbursement.

History: Cr. Register, February, 1988, No. 386, eff. 3-1-88.

CU 70.04 General authority. Subject to the provisions of this chapter, any credit union may participate in loan contracts with eligible organizations within the limitations of the board of directors' written participation loan policies, if all of the following conditions are met:

(1) No credit union shall obtain an interest in a participation loan if the sum of that interest together with other indebtedness owing the credit union by the borrower exceeds 10% of the credit union's assets.

(2) Prior to final disbursement, a written participation agreement shall be properly executed, acted upon by the credit union's board of directors, or the investment committee and retained in the credit union's office. The agreement shall include provisions which identify the participation loan or loans.

(3) A credit union may sell to or purchase from any participant the servicing of any loan in which it owns a participation interest.

History: Cr. Register, February, 1988, No. 386, eff. 3-1-88.

CU 70.05 Originating lender requirements. An originating lender which is a credit union subject to this chapter shall:

(1) Originate loans only to its members;

(2) Retain an interest of at least 10% of the balance of each loan;

(3) Retain the original or copies of all relevant loan documents; and

(4) Obtain approval of the loan from the credit committee or loan officers.

History: Cr. Register, February, 1988, No. 386, eff. 3-1-88.

CU 70.06 Participating lender requirements. A participant credit union that is not the originating lender shall:

(1) Participate only in loans it is empowered to grant;

(2) Participate in participation loans only if made to its own members or members of another participating credit union;

(3) Retain the original or a copy of the written participation loan agreement and a schedule of the loans covered by the agreement; and

(4) Obtain the approval of the board of directors for the disbursement of proceeds to the originating lender.

History: Cr. Register, February, 1988, No. 386, eff. 3-1-88.