

**Member Business Loans (MBLs) Rulemaking Agenda  
For May 18, 2017 from 2:00 pm to 3:30 pm PDT**

Stakeholders have two options for attending the meeting on May 18<sup>th</sup>:

1. Attend in person at Department of Financial Institutions (DFI) building, 150 Israel Road, Tumwater, WA. *If attending in-person, please arrive early so you can check in at DFI front desk and be escorted to **conference room #220**.*
2. Attend by teleconference; dial in 1-877-885-3221; conference ID: 5705532#.

Topic	Leader	Estimated Time
Welcome & introductions by DFI <ul style="list-style-type: none"> <li>• Linda Jekel, Director of Credit Unions</li> <li>• Doug Lacy-Roberts, Program Manager</li> <li>• Joe Vincent, Director of Legal and Regulatory Affairs</li> <li>• Catherine Mele-Hetter, Director of Policy</li> <li>• Cristina Diaz, Management Analyst</li> </ul>	Linda Jekel	2:00 -2:10 pm
Roll call of credit unions and other stakeholders	Cristina Diaz	2:10 pm to 2:15 pm
Discussion on the following: <ol style="list-style-type: none"> <li>1. Should we rewrite definitions so they are easier to follow and understand? Examples are the definition of MBL and commercial loan.</li> <li>2. Should we raise the aggregate development and construction limit to net worth from 15% to 25%? [see WAC 208-470-030 (1)]</li> <li>3. We made some of the policy requirements into an option to put them in procedures. See WAC 208-460-050 (10 and 11). Ok with amendment?</li> <li>4. Should we change the WAC 208-460-070 on loans to one/associated borrowers to be the same as federal rule? (see Appendix)</li> <li>5. If we change WAC 208-460-070, do we need to change the calculation in WAC 208-460-080? Do we need to add the definition of what is and what is not an associated borrower? (See Appendix)</li> <li>6. Should we eliminate WAC 208-464-110, WAC 208-460-120, and WAC 208-460-160? Note a credit union is required to have in its MBL policy a credit risk rating system and follow GAAP, see WAC 208-460-050 (7)(ii).</li> <li>7. Note: We moved the definitions in WAC 208-460-170 to WAC 208-460-010.</li> </ol>	Linda Jekel	2:15 pm to 2:45 pm (30 min)

Topic	Leader	Estimated Time
Open forum for comments	Linda Jekel	2:45 pm to 3:15 pm (30 min)
<p>Adjournment and reminder about next meeting</p> <p>Next meeting is</p> <p style="padding-left: 40px;">a. June 15, 2017 from 2:00pm to 3:30pm</p> <p>Agenda will include:</p> <ol style="list-style-type: none"> <li>1. Review WAC 208-460-020. Any changes?</li> <li>2. Review WAC 208-460-090. Not planning to amend. Ok?</li> <li>3. Will provide suggested amendments to simplify WAC 208-460-100.</li> <li>4. Review WAC 208-460-140 and WAC 208-460-150. Not planning to amend. Ok?</li> <li>5. Should we eliminate WAC 208-460-160? A credit union is required to submit financial, statistical, and other reports in accordance to 12 CFR 741.6 and the 5300 has MBL aggregate and other MBL data.</li> </ol>	Linda Jekel	3:25 pm to 3:30 pm

Notes:

- A. Brief minutes will be taken and published after each meeting; only the CR-102 hearing will be audio recorded and published.
- B. If you would like to be notified when a new document is added to the MBL Rulemaking page, sign up for email alerts on DFI's web site.
- C. If you have any questions, please contact Linda Jekel, Director of Credit Unions at [Linda.Jekel@dfi.wa.gov](mailto:Linda.Jekel@dfi.wa.gov) or (360) 902-8778.

Appendix

Federal	State
<p>12 CFR 723.4</p> <p>c) Maximum amount of assets, in relation to net worth, allowed in secured, unsecured, and unguaranteed commercial loans and in any given category or type of commercial loan and to any one borrower or group of associated borrowers. The policy must specify that the aggregate dollar amount of commercial loans to any one borrower or group of associated borrowers may not exceed the greater of 15 percent of the federally insured credit union's net worth or \$100,000, plus an additional 10 percent of the credit union's net worth if the amount that exceeds the credit union's 15 percent general limit is fully secured at all times with a perfected security interest by <i>readily marketable collateral</i> (italic added) as defined in §723.2 of this part. Any insured or guaranteed portion of a commercial loan made through a program in which a federal or state agency (or its political subdivision) insures repayment, guarantees repayment, or provides an advance commitment to purchase the loan in full, is excluded from this limit.</p>	<p>WAC 208-460-070</p> <p><b>How much may a member or associated members borrow?</b></p> <p>Unless the director grants a waiver for a higher amount, the aggregate amount of member business loans to a member or associated members may not exceed the greater of:</p> <p>(1) Fifteen percent of the credit union's net worth; or</p> <p>(2) One hundred thousand dollars.</p>
<p>12 CFR 723.2</p> <p><i>Readily marketable collateral</i> means a financial instrument or bullion that is salable under ordinary market conditions with reasonable promptness at a fair market value determined by quotations based upon actual transactions on an auction or similarly available daily bid and ask price market.</p>	<p>Add definition for readily marketable collateral to state rule?</p>
<p>12 CFR 723.2</p> <p><i>Associated borrower</i> means any other person or entity with a shared ownership, investment, or other pecuniary interest in a business or commercial endeavor with the borrower. This means any person or entity named as a borrower or debtor in a loan or extension of credit, or any other person or entity, such as a drawer, endorser, or guarantor, engaged in a common enterprise with the borrower, or</p>	<p>WAC 208-460-080</p> <p><b>How do you calculate the aggregate fifteen percent limit?</b></p> <p>(1) Step 1. Calculate the numerator by adding together the amount of the member business loans to the member and associated members (if any). From this amount, subtract any portion:</p> <p>(a) Secured by shares or deposits in the credit union making the extension of credit or in</p>

deriving a direct benefit from the loan to the borrower.

Exceptions to this definition for partnerships, joint ventures and associations are as follows:

(1) If the borrower is a partnership, joint venture or association, and the other person with a shared ownership, investment, or other pecuniary interest in a business or commercial endeavor with the borrower is a member or partner of the borrower, and neither a direct benefit nor a common enterprise exists, such other person is not an associated borrower.

(2) If the borrower is a member or partner of a partnership, joint venture, or association, and the other entity with a shared ownership, investment, or other pecuniary interest in a business or commercial endeavor with the borrower is the partnership, joint venture, or association and the borrower is a limited partner of that other entity, and by the terms of a partnership or membership agreement valid under applicable law, the borrower is not held generally liable for the debts or actions of that other entity, such other entity is not an associated borrower.

(3) If the borrower is a member or partner of a partnership, joint venture, or association, and the other person with a shared ownership, investment, or other pecuniary interest in a business or commercial endeavor with the borrower is another member or partner of the partnership, joint venture, or association, and neither a direct benefit nor a common enterprise exists, such other person is not an associated borrower.

other credit unions, or by deposits in other financial institutions; or

(b) Insured or guaranteed, or subject to an advance commitment to purchase, by any federal or state agency (or any political subdivision of a state).

(2) Step 2. Divide the numerator by net worth.