



State of Washington
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF CREDIT UNIONS

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Memo

Date: January 8, 2018

To: Gayle Peterson, NCUA Supervision Analyst

From: Linda Jekel, Director of Credit Unions for Washington State

Subject: Proposed amended MBL rule submitted to NCUA for approval under 12 CFR 723.10

The proposed amended MBL rule modernizes requirements consistent with the principle-based policy in the federal MBL rule and allows us to continue proactive supervision through the waiver process. The proposed MBL rule will enable better supervision of credit unions with MBL programs.

In addition, an amended MBL rule will update the requirements in the following areas:

1. Adds definitions;
2. Adds conflict of interest section in the MBL prohibited section;
3. Increases the construction and development concentration from 15% to 25% of net worth and clarifies collateral value;
4. Replaces the explicit 5 year and 2 year experience requirements and uses similar language for as the federal MBL rule to consider overall experience of the staff involved in MBL program;
5. Provides regulatory relief for smaller credit unions with limited MBL exposure and uses similar language as the federal MBL rule;
6. Provides regulatory relief to credit unions making loans secured by non-owner-occupied, 1- to 4-family residential properties and vehicles manufactured for household use;
7. Emphasizes the importance that the board understand and remain informed as to the nature of the MBL program and its level of risk and clarifies use of third party;
8. Provides flexibility in structuring policy and procedure requirements;
9. Adds guarantee language similar to the federal MBL rule;
10. Provides specific loan-to-values similar to guidance provided in the NCUA Examiners Guide;
11. Increases the unsecured lending limits from \$100,000 to \$250,000;
12. Allows loans-to-one-borrower limits to add 10% with marketable collateral, similar to the federal MBL rule;
13. Restricts loan-to-one borrower consistent with the federal MBL rule and similar to guidance to banks;
14. Keeps waivers for supervision purposes, in consultation with NCUA, and grandfathers existing waivers;
15. Clarifies the net worth requirement for the aggregate MBL limit; and
16. Requires a regulator acceptable mitigation plan for non-conforming MBLs, particularly if a credit union invokes federal parity to use the federal MBL plan and then wants to return to the state MBL rule.

If you have any questions, please do not hesitate to contact me at Linda.Jekel@dfi.wa.gov or 360-902-8778.

Attachment: 2018-01-08 Proposed MBL rule without edits submitted to NCUA (corrected filename)