

CORPORATE CREDIT UNION GUIDANCE LETTER

No. 1999-03

DATE: October 19, 1999

SUBJ: Part 723 of the NCUA Rules and Regulations (Member Business Loans)

TO: The Corporate Credit Union Addressed

It has come to our attention that corporate credit unions may be interpreting Part 723 of the NCUA Rules and Regulations as being applicable to loans issued by corporates to corporate credit union service organizations (CUSOs).

The Credit Union Membership Access Act of 1998 (HR 1151) was signed into law August 7, 1998. HR 1151 amended Section 107 of the Federal Credit Act (Act) by adding Section 107A (limitation on member business loans). In general, Section 107A established aggregate limits on member business loans (with certain exceptions) of the lesser of the following measures: (1) 1.75 times the actual net worth of the credit union; or (2) 1.75 times the minimum net worth required under Section 216(c)(1)(A) of the Act (Part 723.16 established 12.25 percent of the credit union's total assets for measure number two).

Loans made by corporate credit unions are subject to Part 723, the regulatory implementation of Section 107A of the Act. However, loans made by corporates to other credit unions or to corporate CUSOs are exempt from the requirements of Part 723. Loans to corporate CUSOs are not exempt from the aggregate limits of the Act, while loans to other credit unions are. Thus, Part 723 should affect only a small segment of a corporate's loan portfolio.

Our examiners will be instructed to treat loans to CUSOs as stated in the previous paragraph during the examination of corporate credit unions. We will continue to work on an update to Part 704 regarding this issue. If you have any questions, please contact this office at (703) 518-6640.

Sincerely,

Robert F. Schafer
Director
Office of Corporate Credit Unions

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SSIC 3500

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ACCU

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