

October 16, 2000

Robert C. Pyfer, Executive Vice President
Montana Credit Union Network
1236 Helena Ave.
Helena, Montana 59601

Re: Aggregate Member Business Loan Limit and SBA Guaranteed Loans.

Dear Mr. Pyfer:

You have asked if the portion of a business loan that is guaranteed by the Small Business Administration is exempt from the definition of a member business loan for purposes of calculating the aggregate loan limit. Specifically, you asked if the exemption applies before or after the sale of the guaranteed portion on the secondary market. The guaranteed portion is not included as a member business loan for purposes of calculating the aggregate loan limit even if it is never sold.

NCUA's member business loan regulation exempts from the definition of a member business loan, among others, those loans that are guaranteed by a federal agency. 12 C.F.R. §723.1(b)(4). The preamble to the final rule clarified how to treat a loan if a portion of it was guaranteed for purposes of calculating whether the \$50,000 threshold for a business loan is met:

One commenter requested that NCUA clarify that the amount of any loan fully guaranteed by the federal, state or local government is not included in determining whether the \$50,000 threshold has been reached. The reason is that small business administration loan programs do not guarantee full repayment, only the amount of the loan that is not guaranteed should be considered in determining whether the threshold has been reached. The NCUA Board agrees and a credit union need not include that portion of a loan that is guaranteed toward the \$50,000 threshold.

64 FR 28721, 28722 (May 27, 1999). Because the guaranteed portion of a loan is not included in calculating whether the \$50,000 threshold is met, it also will not be included for purposes of calculating the aggregate loan limit.

Sincerely,

Sheila A. Albin
Associate General Counsel