



NCUA Media Release

NCUA Increases Credit Union Flexibility

Business Loan Legal Opinion Redefines Number and Use of “Fleet” Vehicles

ALEXANDRIA, Va. (Sept. 18, 2012) – Credit unions now have more flexibility when working with members seeking loans for business vehicles, the National Credit Union Administration (NCUA) announced today.

An NCUA legal opinion revises the definition of a “fleet” for purposes of member business lending. The previous definition applied to two or more vehicles used to deliver a product or service integral to business. The updated definition allows for five or more vehicles that are centrally controlled and used for a business purpose.

“Rules should be reviewed to ensure they are responding to marketplace changes. That’s the basis of my Regulatory Modernization Initiative,” said NCUA Board Chairman Debbie Matz. “The current definition of a business fleet—two or more vehicles—is no longer adequate to meet members’ needs. So, at the request of a credit union, NCUA’s general counsel reviewed the definition and issued a new legal opinion that both reflects the realities of today’s marketplace and protects safety and soundness.”

The opinion explains that the member business lending rule requires all member business loans meet certain collateral and security requirements. The maximum loan-to-value ratio, for example, cannot exceed 80 percent unless the excess above that percentage is covered by insurance or a similar guarantee. The rule allows credit unions to make business vehicle loans without complying with that loan-to-value requirement except in the case of “fleet” vehicles. This is because fleet vehicles tend to depreciate more quickly than non-business, personal-use vehicles and therefore pose a higher risk to the lending credit union.

By updating the “fleet” definition, NCUA is giving credit unions greater flexibility in making lending decisions. A credit union making a loan to a member who owns a business with fewer than five vehicles would qualify for the loan-to-value exception. The opinion is consistent with the way fleet vehicles are treated by the Internal Revenue Service and auto industry standards.

The NCUA legal opinion is available [here](#).

NCUA is the independent federal agency created by the U.S. Congress to regulate, charter and supervise federal credit unions. With the backing of the full faith and credit of the U.S. Government, NCUA operates and manages the National Credit Union Share Insurance Fund, insuring the deposits of more than 93 million account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions.

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