

NCUA LETTER TO CREDIT UNIONS

NATIONAL CREDIT UNION ADMINISTRATION 1775 Duke Street, Alexandria, VA 22314

DATE: January 2010 **LETTER No.:** 10-CU-02

TO: Federally Insured Credit Unions

SUBJ: Current Risks in Business Lending and Sound Risk Management Practices

ENCL: Supervisory Letter – Current Risks in Business Lending and Sound Risk Management Practices

Dear Board of Directors:

Credit unions are becoming increasingly involved in business lending and, in doing so, are providing another avenue for members to obtain the funding needed to start, grow, and maintain businesses. As business loan portfolios grow, the credit union's risk management practices should evolve commensurate with the size and complexity of the portfolio and individual loans.

Given the current challenging economic environment, management should have a comprehensive understanding of the factors surrounding their portfolios and apply the same safety and soundness principles to all business purpose loans, regardless of whether or not the loan qualifies as a member business loan as defined by the regulation.

The enclosed guidance regarding current risks in business lending and sound risk management practices were provided to NCUA field staff in January 2010.

If you have any questions related to this Letter, you should contact your regional office, district examiner, or state supervisory authority.

Sincerely,

Debbie Matz
Chairman

Enclosure