

SUPERVISORY LETTER

NATIONAL CREDIT UNION ADMINISTRATION
OFFICE OF EXAMINATION AND INSURANCE
1775 DUKE STREET, ALEXANDRIA, VA 22314

DATE: February 21, 2013 **Supervisory Letter No. 13-01**

TO: All Field Staff

SUBJECT: Evaluating Credit Union Requests for Waivers of Provisions in NCUA Rules and Regulations Part 723, Member Business Loans (MBLs)

This supervisory letter provides interpretive guidance for MBL waivers subject to Part 723 of NCUA's Rules and Regulations. Part 723 establishes a framework to manage the overall risk associated with business lending. The risks associated with each business borrower are unique; therefore the rule allows for waivers of certain regulatory provisions in order to give credit unions the necessary flexibility to meet the needs of the members they serve.

This guidance provides additional clarity for the waiver process and will assist examiners in determining the need and qualifications of both the borrower and credit union when waivers are requested. In particular, the guidance:

- Defines the two general types of MBL waivers; an individual loan waiver and a blanket waiver.
- Establishes the specific financial attributes a credit union should exhibit along with the risk management processes a credit union needs to have to qualify for a waiver.
- Streamlines the procedure for processing a waiver request for participated loans.
- Addresses specific issues associated with waiver requests for LTV, personal guarantees and associated borrower.
- Adds clarity to determining the principals and associated borrowers in an MBL relationship.
- Reinforces expectations and best practices related to business lending.

If you have any questions on this Supervisory Letter, please direct them to your immediate supervisor or regional management.

Sincerely,

/s/

Larry Fazio, Director,
Office of Examination and Insurance