

BOARD ACTION MEMORANDUM

TO: NCUA Board **DATE:** April 20, 2017
FROM: Regional Director C. Keith Morton **SUBJ:** Proposed Changes
to Illinois Member
Business Loan Rule

ACTION REQUESTED: Approve the proposed revised Illinois MBL Rule, §190.165.

DATE ACTION REQUESTED: April 20, 2017

OTHER OFFICES CONSULTED: Offices of Examination and Insurance and General Counsel

VIEWS OF OTHER OFFICES CONSULTED: Concur

BUDGET IMPACT, IF ANY: None

RESPONSIBLE STAFF PERSON: Regional Director C. Keith Morton, ARDO Tracy Bombarger,
DOS Director Christine Bryant, Supervision Analyst Beth Petropoulos

SUMMARY:

The NCUA Board approved the Illinois Member Business Loan Rule on June 20, 2013, by unanimous vote. The State of Illinois has now submitted a request for the NCUA Board to approve their revised final member business loan rule to provide parity with NCUA's revised rule Part 723.

Region IV performed a safety and soundness review in which we focused on the following criteria:

1. Purpose and scope;
2. The definitions, including that of financial statement quality;
3. Board of directors and management responsibilities;
4. Written loan policies, including loans to one borrower limit
5. Collateral and security requirements;
6. Construction and development lending;
7. Prohibited activities; and
8. Aggregate member business loan limit, exclusions, and exceptions.

The Office of General Counsel performed a legal review and the Office of Examination and Insurance performed a concurrence review.

While there are variations between this proposed revised rule and Part 723 of NCUA's Rules and Regulations, we believe the revised rule minimizes the risk and accomplishes the overall objectives of Part 723 of NCUA's Rules and Regulations

CONCLUSION: We do not expect the 2017 rule, as proposed, to cause future safety and soundness concerns. We recommend the NCUA Board approve the Illinois rule. We believe approval of the Illinois Member Business Loan Rule would not result in an unacceptable exposure to the NCUSIF.

RECOMMENDED ACTION: We recommend the NCUA Board approve the Illinois Member Business Loan Rule.

C. Keith Morton
Regional Director