

BOARD ACTION MEMORANDUM

TO: NCUA Board **DATE:** December 15, 2016
FROM: Regional Director C. Keith Morton **SUBJ:** Proposed Changes
to Texas Member
Business Loan Rule

ACTION REQUESTED: Approve the proposed revised Texas MBL Rule, §91.709.

DATE ACTION REQUESTED: December 15, 2016

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 Cynthia Martin

SUMMARY:

The NCUA Board originally approved the Texas Member Business Loan Rule on November 18, 1999, by unanimous vote. Changes to the rule were approved on January 23, 2003, and again on December 16, 2004, both by unanimous vote. The State of Texas has now submitted a request for the NCUA Board to approve their revised 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 associated borrower;
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 Texas rule. We believe approval of the Texas Member Business Loan Rule would not result in an unacceptable exposure to the NCUSIF.

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

C. Keith Morton
Regional Director