

CR 87-117

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STATE OF WISCONSIN)
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OFFICE OF THE COMMISSIONER OF CREDIT UNIONS) SS

I, RICHARD OTTOW, Commissioner of the Office of the Commissioner of Credit Unions and custodian of the official records of said commission do hereby certify that the annexed rule relating to loan participation parity with federal credit unions was duly approved and adopted by this commission on November 30, 1987.

I further certify that said copy has been compared by me with the original on file in this agency and that the same is a true copy thereof, and of the whole of such original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the official seal of the Commissioner of Credit Unions in the City of Madison, this 13th Day of January, 1988.


Richard Ottow, Commissioner

3-1-88

ORDER OF THE
OFFICE OF THE COMMISSIONER OF CREDIT UNIONS
ADOPTING, AMENDING OR REPEALING RULES

The Wisconsin office of the commissioner of credit unions proposes an order to create CU 70 relating to participation loan parity for Wisconsin-chartered credit unions with federally chartered credit unions.

Analysis by Office of the Commissioner of Credit Unions

Statutory authority: s. 186.23, Stats.
Statutes interpreted: s. 186.09, Stats.

The purpose of this rule is to permit Wisconsin-chartered credit unions to engage in participation loans under the same rules and regulations governing federally chartered credit unions.

This rule has no fiscal effect on government revenue or expenditures at any level.

This rule will have no effect on small business as defined in s. 227.114, Wis. Stats.

Pursuant to the authority vested in the office of the commissioner of credit unions by s. 186.012(4), Stats., the office of the commissioner of credit unions hereby creates Chapter CU 70 implementing the portion of s. 186.012(4) authorizing Wisconsin credit unions to exercise any power under the notice, disclosure or procedural requirements governing the investment activities of federally chartered credit unions.

SECTION 1. Chapter CU 70 is created to read:

CHAPTER CU 70

PARTICIPATION LOAN AUTHORITY

PARITY WITH FEDERAL CREDIT UNIONS

CU 70.01 PURPOSE AND SCOPE. The purpose of this rule is to permit Wisconsin-chartered credit unions to engage in loan participation contracts with one or more

credit unions, credit union organizations, and financial organizations in the same manner that such participation contracts are available to federally chartered credit unions.

CU 70.02 INTERPRETATION. The interpretation of rules in this chapter shall be coordinated with and parallel to the interpretation of federal laws, regulations, and interpretations from which these rules are derived.

NOTE: This rule parallels 12 CFR Part 701.22, Loan Participation,
effective February 1985.

CU 70.03 DEFINITIONS. In this chapter:

- (1) "Credit union" means any federal or state-chartered credit union.
- (2) "Credit union organization" means any organization as determined by the commissioner established primarily to serve the daily operational needs of its member credit unions. The term does not include trade associations, membership organizations principally composed of credit unions, or corporations or other businesses which principally provide services to credit union members as opposed to corporations or businesses whose business relates to the daily in-house operation of credit unions.
- (3) "Eligible organization" means a credit union, credit union organization, or financial organization.
- (4) "Financial organization" means any federally chartered or federally insured financial institution.
- (5) "Originating lender" means the participant with which the member contracts.
- (6) "Participation loan" means a loan made in participation with one or more eligible organizations, where the written commitment to participate in the loan precedes final disbursement.

CU 70.04 GENERAL AUTHORITY. Subject to the provisions of this chapter, any credit union may participate in loan contracts with eligible organizations within the limitations of the board of directors' written participation loan policies, if all of the following conditions are met:

(1) No credit union shall obtain an interest in a participation loan if the sum of that interest together with other indebtedness owing the credit union by the borrower exceeds 10% of the credit union's assets.

(2) Prior to final disbursement, a written participation agreement shall be properly executed, acted upon by the credit union's board of directors, or the investment committee and retained in the credit union's office. The agreement shall include provisions which identify the participation loan or loans.

(3) A credit union may sell to or purchase from any participant the servicing of any loan in which it owns a participation interest.

CU 70.05 ORIGINATING LENDER REQUIREMENTS. An originating lender which is a credit union subject to this chapter shall:

- (1) Originate loans only to its members;
- (2) Retain an interest of at least 10% of the balance of each loan;
- (3) Retain the original or copies of all relevant loan documents; and
- (4) Obtain approval of the loan from the credit committee or loan officers.

CU 70.06 PARTICIPATING LENDER REQUIREMENTS. A participant credit union that is not the originating lender shall:

- (1) Participate only in loans it is empowered to grant;
- (2) Participate in participation loans only if made to its own members or members of another participating credit union;

(3) Retain the original or a copy of the written participation loan agreement and a schedule of the loans covered by the agreement; and

(4) Obtain the approval of the board of directors for the disbursement of proceeds to the originating lender.

The rule contained in this order shall take effect on the first day of the month following publication in the Wisconsin administrative register as provided in s. 227.22 (2) (intro.), Stats.

Dated: Nov 30, 1987

OFFICE OF THE COMMISSIONER OF CREDIT UNIONS


Richard Ottow
Commissioner of Credit Unions