

**Committee Name:**

**Senate Committee – Privacy, Electronic Commerce and Financial Institutions  
(SC-PECFI)**

**Appointments**

01hr\_SC-PECFI\_Appoint\_pt00

# **Clearinghouse Rules**

## **01hr\_SC-PECFI\_CRule\_02-072**

**Committee Hearings**

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**Committee Reports**

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01hr\_sb0000

**Misc.**

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**Record of Committee Proceedings**

01hr\_SC-PECFI\_RCP\_pt00

# JON ERPENBACH

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STATE SENATOR

TO: Ginger Larson, Office of Credit Unions Administrator  
FR: Senator Jon Erpenbach  
DT: June 12, 2002  
RE: Clearinghouse Rule 02-072

I would like to request a response from your office to the concerns expressed by the Wisconsin Bankers Association in the attached letter dated June 7, 2002. Specifically, can you give me an estimate of the timeline if a change is made to this clearinghouse rule, including state and federal review. Please address any concerns regarding safety and soundness of credit unions that may choose to seek waivers from your office on lending limits. In addition, please explain the current process regarding waivers from lending limits for credit unions. The third concern of the letter creates some confusion regarding your statements at the public hearing on this rule, could you please clarify this? Thank you very much for taking the time to address these issues. Please contact me if you have any questions or comments on this request.

attachments

cc Kurt Bauer, Wisconsin Bankers Association; Daryll Lund, Community Bankers; Brett Thompson, Wisconsin Credit Union League



**State of Wisconsin**  
*Department of Financial Institutions*

Scott McCallum, **Governor**

John F. Kundert, **Secretary**

June 17, 2002

The Honorable Jon Erpenbach  
State Senator  
20 South  
Wisconsin State Capitol  
P.O. Box 7882  
Madison, WI 53702-7882

RE: Clearinghouse Rule 02-072

Dear Senator Erpenbach:

Per your request of June 12, 2002, following is the response to certain questions raised by the Wisconsin Bankers Association in their June 7, 2002 letter to you.

The characterization in Mr. Bauer's letter that the board meets monthly and that approval of modifications is simply a matter of submitting them to the National Credit Union Administration (NCUA) Board is misleading. Before the board can consider this, or any rule modifications, the staff of the regional office (in our case Chicago) must review the request first. Once they have reviewed and approved the revisions, it is considered by the Office of the General Counsel of the NCUA and the NCUA's Office of Examination and Insurance. Only after all of these reviews have been completed and the revisions approved, would the proposed rule be considered by the NCUA Board. It is unclear what the timeframe might be in order to gain final approval from NCUA on any modifications to Wisconsin's rule. The NCUA has a very heavy work schedule. It took 11 months for the review process to be completed for the proposed Clearinghouse Rule 02-072. It is important to note that even if the Office of Credit Unions (OCU) agreed to changes in the proposed rule, the NCUA could reject them.

You have asked me to address how my office would respond to requests to waive the lending limit under Section 72.08 of the rule. Wisconsin's credit unions are under the control and supervision of the OCU. To adequately control and supervise Wisconsin's credit unions I am obligated to make decisions that safeguard their safety and soundness. Because of the serious responsibility given me, and anyone holding this position, only if absolutely convinced that the safety and soundness of a credit union would not be jeopardized would I grant a waiver of the lending limits under Section 72.08 or any other waiver provided for in the rule.

*Daryl II Call me  
FYI  
John*



*Office of Credit Unions*

Mail: PO Box 14137 Madison, WI 53714-0137  
Voice: (608) 261-9543

Fax: (608) 267-0479

Courier: 345 W. Washington Ave. 3<sup>rd</sup> Floor Madison WI 53703  
TTY: (608) 266-8818

Internet: [www.wdfi.org](http://www.wdfi.org)

Senator Erpenbach  
June 17, 2002  
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Waivers are currently granted to Wisconsin chartered credit unions by the NCUA if they are approved by OCU. A credit union applies to OCU for a waiver. If OCU grants approval, the application (which includes extensive documentation listed in Section 72.11 of the rule) is submitted to the NCUA regional office in Chicago for their review and approval. What the Wisconsin rule proposes is that OCU have the authority to grant a waiver directly after consultation with the NCUA. As to your question regarding waivers from lending limits, I do not expect to receive many requests to waive the lending limit as I have not yet received a request under the federal rule.

You asked me to respond to the bankers' confusion regarding statements I made at the hearing regarding lending limits under the rule. Although I do not recall testifying about the lending limits at the hearing, I would be happy to explain the limits found in the rule. There are two limits found in the rule. The first is set out in Section 72.08 which provides that the aggregate amount of business loans to a member or associated member shall not exceed the greater of 15% of the credit union's net worth (defined in Section 72.01(9)) or \$100,000. Section 72.09 sets out how that limit is to be calculated. The second limit under the rule is found in Section 72.14. That section limits the aggregate amount of a credit union's member business loans to the lesser of 1.75 times the credit union's net worth or 12.25% of the credit union's total assets.

I hope this response adequately clarifies the issues raised by the Wisconsin Bankers Association.

Sincerely,



Ginger Larson  
Director  
OFFICE OF CREDIT UNIONS

GL:clz