

**Minutes for
Department of Financial Institutions, Division of Credit Unions
Member Business Loans (MBLs) Rulemaking Meeting
April 26, 2016 from 1:30pm to 3:00pm
DFI FA 319 Agency Conference Room**

Persons attended in person or by phone.

Teleconference: dial in 1-877-885-3221; conference ID 5705532#

Attendees:

Department of Financial Institutions Present:

Linda Jekel, Director of Credit Unions
Catherine Mele-Hetter, DFI Policy Director
Joe Vincent, DFI Director of Regulatory and Legal Affairs
Doug Lacey-Roberts, DCU Program Manager
Allyson Ross, DCU Management Analyst

Credit Unions Present in person or by phone:

Boeing Employees	Salal
Gesa	Sound
HAPO Community	Spokane Teachers
Harborstone	TAPCO
iQ	TwinStar
Inspirus	WCLA
Kitsap	Whatcom Educational
North Coast	

Other:

Farleigh Wada & Whitt PC, Attorney
Umholtz Consulting
Northwest Credit Union Association

Meeting Called to Order at 1:30pm

Welcome and Introductions Performed by Linda Jekel

Roll Call Roll call performed by Allyson Ross

Rulemaking Process Catherine Mele-Hetter, the DFI policy director, distributed a copy of the rulemaking process chart and described important milestones during the process. The rulemaking process is designed to be transparent to the public and we will post all of our rulemaking documents on the DFI website for the public's reference. We filed our CR-101 on April 4, 2016 and it was published in the Washington State Register on April 20, 2016. The CR-101 is a document to describe the

intent of the rulemaking. Generally, the next step is drafting amendments to the rule and public input is welcomed as well as required. During this time, a small business economic impact statement is published. This is to estimate the impact to small businesses to comply with the proposed amendments to the rule. Once all proposed amendments have been vetted and all public comments have been considered, the CR-102 is filed with a copy of the proposed amended rule. After the CR-102 is filed, then there is a hearing to receive final public comments about the proposed final rule. After the hearing, a concise explanatory statement is published with commentary about the public comments received, analysis of the comments, and changes based on the comments. The rule is published as final in a CR-103 and the rule becomes effective after 31 days from the CR-103 publication date.

Process for this rulemaking

Linda Jekel provided more details on the process for the MBL rulemaking. She said documents pertaining to the rulemaking will be filed on our website. Please see Bulletin 16-06 for a list of the meeting schedule. We will be sending out a bulletin the next meeting is changed from May 19th to May 20th. Meeting materials will be published about one week before a public meeting. If you would like automatic notice of rulemaking materials as soon as they are published, you can sign up on the DFI website for automated email delivery. Be sure you check "credit unions" unless you want to get all DFI posted materials. If you have any comments for the rulemaking, please submit them in writing. Toward the end of the rulemaking process, we will be consulting with the National Credit Union Administration (NCUA) Region 5 on the proposed amendments. Our goal for implementing these changes is to complete the rulemaking by January 1, 2017.

Background of MBL rule

- Washington state credit unions had a state MBL rule since 1989, including a maximum aggregate limit of three times net worth.
- The current MBL rule in Chapter 208-460 WAC has been in effect since May 2001.
- We determined it is time to modernize the state MBL rule in compliance with (2016) 12 C.F.R. 723.10 to keep the state and federal credit union charters competitive.
- The prior federal MBL rule was published in 1999.
- The current federal MBL rule is published as 12 C.F.R. 723 (2015).
- NCUA revised the federal MBL rule in 2016 with the revised rule to be effective on January 1, 2017.
- NCUA revised 12 C.F.R. 723 (2016) from a prescriptive to principle-based MBL rule.

Minutes
Member Business Lending Rulemaking Meeting
April 26, 2016

12 C.F.R. 723 (2016) has 10 sections that we will compare to Chapter 208-460 WAC when deciding whether to amend the state rule. We will take 2 sections of the federal rule for each meeting. 12 C.F.R. 723.3 and 723.4 will be analyzed at the May 20 meeting. 12 C.F.R. 723.3 covers requirements for board of directors before starting commercial lending. 12 C.F.R. 724.4 contains requirements for a commercial loan policy.

You are encouraged to send in your written comments about the rulemaking. Remember all written comments for the rulemaking will be published on the DFI rulemaking website. You are welcome to call Linda Jekel with any questions about the rulemaking process.

Open Forum for Comments The following credit union representatives spoke about their credit union's commercial lending experience, expertise, history, and practices:

Carrie Keely, TAPCO Credit Union
Greg Swanson, Spokane Teachers Credit Union
Brett Jorgenson, GESA Credit Union
Ed Franks, iQ Credit Union
Scott Adkins, Inspirus Credit Union
Sharon Wineburg, TwinStar Credit Union
Brian Bass, WCLA Credit Union

Waiver Process Doug Lacey-Roberts explained the waiver process as provided in Chapter 208-460 WAC. A credit union may apply for a waiver under WAC 208-460-090 and WAC 208-460-100. Typically, we conduct a waiver application review with 3 to 5 examiners, who do an on-site analysis during the regular safety and soundness examination. The MBL exam team will consist of at least 1 credit union examiner with commercial lending training and/or applicable banking experience, at least 1 NCUA examiners, and 1 as a former bank examiner (returned from retirement).

If your credit union plans to apply for a waiver, please call Doug and let him know as soon as possible so we can work with you to schedule the MBL application waiver exam.

Next Meeting Next meeting will be May 20, 2016 from 1:30-3:00 pm.

Meeting adjourned meeting at 2:57pm