

ADMINISTRATIVE RULES Fiscal Estimate & Economic Impact Analysis

1. Type of Estimate and Analysis <input checked="" type="checkbox"/> Original <input type="checkbox"/> Updated <input type="checkbox"/> Corrected		2. Date September 6, 2017
3. Administrative Rule Chapter, Title and Number (and Clearinghouse Number if applicable) DFI-CU 72, Commercial and Member Business Loans		
4. Subject Rules related to commercial and member business loans offered by state-chartered credit unions.		
5. Fund Sources Affected <input type="checkbox"/> GPR <input type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEG-S		6. Chapter 20, Stats. Appropriations Affected 20.144(1)(g)
7. Fiscal Effect of Implementing the Rule <input checked="" type="checkbox"/> No Fiscal Effect <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Increase Costs <input type="checkbox"/> Indeterminate <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Could Absorb Within Agency's Budget <input type="checkbox"/> Decrease Cost		
8. The Rule Will Impact the Following (Check All That Apply) <input type="checkbox"/> State's Economy <input checked="" type="checkbox"/> Specific Businesses/Sectors <input type="checkbox"/> Local Government Units <input type="checkbox"/> Public Utility Rate Payers <input type="checkbox"/> Small Businesses (if checked, complete Attachment A)		
9. Would Implementation and Compliance Costs Be Greater Than \$20 million? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
10. Policy Problem Addressed by the Rule The objective of the proposed rule is to revise Wisconsin's existing member business loan (MBL) rule for state-chartered credit unions to incorporate recent changes made to the federal MBL rule. In particular, the proposed changes strengthen a credit union's board of directors and management responsibilities; replace current loan-to-value requirements and portfolio limits with a risk-based approach; modify waiver requirements and processes for obtaining waivers; and calculate the member business loan cap as a multiple of net worth, and not as a percentage of assets.		
11. Summary of the businesses, business sectors, associations representing business, local governmental units, and individuals that may be affected by the proposed rule that were contacted for comments. The proposed rule was posted to the Department of Financial Institution's website for fourteen calendar days in order to solicit comments from businesses, business sectors, associations representing business, local governmental units and individuals that may be affected by the proposed rule. The Department also contacted trade associations representing businesses with interests in the MBL rule to alert the associations of the request for comment regarding the economic impact of the proposed changes to ch. DFI-CU 72. One comment was received. The comment was from the Wisconsin Credit Union League (League). A summary of the comment includes: The League believes the proposed rule will have a negative impact on state-chartered credit unions with less than \$250 million in assets because the proposed rule does not adopt an exemption for these credit unions as is provided under the federal MBL rule. In particular, the federal MBL rule provides credit unions with assets of less than \$250 million to be exempt from both board of director responsibilities and from establishing a commercial lending policy. The League believes the small credit unions would be at a commercial disadvantage as to federally-chartered credit unions and other state-chartered credit unions in states that have adopted the federal MBL rule in whole.		
12. Identify the local governmental units that participated in the development of this EIA. No local government units participated in the development of this EIA.		
13. Summary of Rule's Economic and Fiscal Impact on Specific Businesses, Business Sectors, Public Utility Rate Payers, Local Governmental Units and the State's Economy as a Whole (Include Implementation and Compliance Costs Expected to be Incurred)		

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Under Wisconsin's current MBL rule, before a credit union of any size can engage in MBL activity: (1) the credit union's board of directors must adopt a specific MBL policy (the policy must be reviewed at least annually); and (2) the MBL policy must include all items currently identified within s. DFI-CU 72.06. Credit unions of all size currently incur costs associated with the creation, annual review, and update of its MBL policy, as applicable. While it is anticipated that credit unions that engage in MBL lending will need to review and possibly update their current MBL policy to take advantage of the flexibilities offered under the proposed rule revisions, the Department's Office of Credit Unions believes this review will not have a significant impact on Wisconsin's state-chartered credit unions.

The Department's Office of Credit Unions also reviewed the proposed rule's impact on small credit unions. Pursuant to s. 227.114(1), Stats. a "small business" is defined to mean a business which is independently owned and operated and not dominate in its field, and which employs 25 or fewer full-time employees or which has a gross annual sales of less than \$5,000,000. While credit unions do not have gross annual sales, in the spirit of determining the economic impact of the proposed rule on small credit unions, the Department's Office of Credit Unions used "assets" in lieu of "gross annual sales" as the closest approximation to determine the effect on small businesses under s. 227.114(1), Stats. Only 27 out of the 143 Wisconsin federally-insured state-chartered credit unions fall within this definition of small business. Typically these credit unions have not and currently do not engage in the commercial lending anticipated by the proposed rule. Current ch. DFI-CU 72, and the proposed revised ch. DFI-CU 72 rule, apply to only those credit unions that engage in MBL lending.

The proposed rule will not have a significant impact on any other business sector, public utility rate payers, local government units or the Wisconsin's economy as a whole.

14. Benefits of Implementing the Rule and Alternative(s) to Implementing the Rule

The proposed rule would update definitions, strengthen credit union board of director and management responsibilities, replace current loan-to-value and portfolio limits with a risk-based approach, and modify waiver requirements and process. The proposed rule would provide regulatory relief for state-chartered credit unions.

If the rule is not revised, the state MBL rule does not provide state-chartered credit unions the same flexibility as federally-chartered credit unions will have under the federal MBL rule. If the rule is not revised, some state-chartered credit unions may seek to change charter to become federally-chartered so as to be governed by the federal MBL rule rather than by ch. DFI-CU 72.

15. Long Range Implications of Implementing the Rule

The long range implications are to keep Wisconsin's MBL rules consistent where possible with federal MBL rules so as to provide parity between federal- and state-chartered credit unions. This allows Wisconsin's state-chartered credit unions to remain competitive with the products offered by federally-chartered credit unions.

16. Compare With Approaches Being Used by Federal Government

The National Credit Union Administration (NCUA) regulates federally-chartered credit unions. NCUA's commercial and member business loan (MBL) rule may be found at 12 C.F.R. Part 723. NCUA made revisions to its rule which became effective January 1, 2017. The proposed rule would update Wisconsin's rules to reflect nearly all of the recent revisions NCUA made to its MBL rule.

17. Compare With Approaches Being Used by Neighboring States (Illinois, Iowa, Michigan and Minnesota)

Illinois has a comparable rule as found at Ill. Admin Code title 38, s. 190.165. This rule gives Illinois state-chartered credit unions the authority to make member business loans (MBL). Illinois has recently adopted a rule to revise its MBL rule to reflect the recent changes in 12 C.F.R. 723. Iowa, Michigan and Minnesota follow revised 12 C.F.R. Part 723 and have not adopted a comparable state specific rule.

18. Contact Name

19. Contact Phone Number

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608/267-2608

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ATTACHMENT A

1. Summary of Rule's Economic and Fiscal Impact on Small Businesses (Separately for each Small Business Sector, Include Implementation and Compliance Costs Expected to be Incurred)

2. Summary of the data sources used to measure the Rule's impact on Small Businesses

3. Did the agency consider the following methods to reduce the impact of the Rule on Small Businesses?

- Less Stringent Compliance or Reporting Requirements
- Less Stringent Schedules or Deadlines for Compliance or Reporting
- Consolidation or Simplification of Reporting Requirements
- Establishment of performance standards in lieu of Design or Operational Standards
- Exemption of Small Businesses from some or all requirements
- Other, describe:

4. Describe the methods incorporated into the Rule that will reduce its impact on Small Businesses

5. Describe the Rule's Enforcement Provisions

6. Did the Agency prepare a Cost Benefit Analysis (if Yes, attach to form)

- Yes No
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