



## **ADMINISTRATIVE RULES**

### **Fiscal Estimate & Economic Impact Analysis**

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.

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#### 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.

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#### 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.

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#### 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.

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#### 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.

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#### 18. Contact Name

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#### 19. Contact Phone Number

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**ATTACHMENT A**

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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)

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

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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:

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

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5. Describe the Rule's Enforcement Provisions

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

- Yes    No
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