

have an experienced lender on [its] staff. * * * In other words, [credit unions] are permitted to leverage their members business loan expertise with CUSO business loan personnel." 63 FR 10743, 10752, Mar. 3, 1998. The MBL and CUSO rules, therefore, have allowed CUSOs to engage in the mechanics of business loan origination for several years.

Business loans require specialized lending staff, experienced in the due diligence and underwriting standards necessary for originating good loans. Many credit unions do not have the lending personnel on staff with the experience required to make a variety of MBLs and may not find it prudent to outsource this expertise. By authorizing CUSOs to originate business loans, credit unions can benefit from economies of scale by pooling their investments into a business lending CUSO, thus affording their small business members access to MBLs that may otherwise be unavailable through the credit union or other lenders. The Board notes, however, that credit unions cannot circumvent the intent of the statutory limitations placed on credit unions under CUMAA by purchasing an unreasonable amount of MBL participation interest from their CUSOs. As the Board notes above, in order for a participating credit union to exclude participation interests it has purchased, including those from a credit union organization as defined in § 701.22(a)(4), the purchase must be a *bona fide* transaction to fulfill a business purpose.

Regulatory Procedures

Regulatory Flexibility Act

The Regulatory Flexibility Act requires NCUA to prepare an analysis to describe any significant economic impact any proposed regulation may have on a substantial number of small entities (those under \$1 million in assets). The proposed amendments to the member business loan rule relax some of the rule's existing standards or clarify current requirements. In addition, most small credit unions do not grant member business loans. The NCUA Board, therefore, has determined and certifies that the proposed

amendments, if adopted, will not have a significant economic impact on a substantial number of small credit unions. Accordingly, a regulatory flexibility analysis is not required.

Paperwork Reduction Act

NCUA has determined that the proposed regulation does not increase paperwork requirements under the Paperwork Reduction Act of 1995 and regulations of the Office of Management and Budget.

Executive Order 13132

Executive Order 13132 encourages independent regulatory agencies to consider the impact of their regulatory actions on state and local interests. In adherence to fundamental federalism principles, NCUA, an independent regulatory agency as defined in 44 U.S.C. 3502(5), voluntarily complies with the executive order. This proposed rule liberalizes current requirements and standards applicable to all federally insured credit unions and will not have substantial direct effects on the states, on the relationship between the national government and the states, or on the distribution of power and responsibilities among the various levels of government. NCUA has determined that the proposed rule does not constitute a policy that has federalism implications for purposes of the executive order.

The Treasury and General Government Appropriations Act, 1999—Assessment of Federal Regulations and Policies on Families

The NCUA has determined that this proposed rule will not affect family well-being within the meaning of section 654 of the Treasury and General Government Appropriations Act, 1999, Pub. L. 105-277, 112 Stat. 2681 (1998).

Agency Regulatory Goal

NCUA's goal is to promulgate clear and understandable regulations that impose minimal regulatory burden. We request your comments on whether the proposed rule is understandable and minimally intrusive if implemented as proposed.

List of Subjects

12 CFR Part 702

Credit unions, Reporting and recordkeeping requirements.

12 CFR Part 704

Credit unions, Reporting and recordkeeping requirements.

12 CFR Part 712

Credit, Credit unions.

12 CFR Part 723

Credit, Credit unions, Reporting and recordkeeping requirements.

By the National Credit Union Administration Board on March 27, 2003.

Becky Baker,

Secretary of the Board.

For the reasons stated in the preamble, NCUA proposes to amend 12 CFR chapter VII as set forth below:

PART 702—PROMPT CORRECTIVE ACTION

1. The authority citation for part 702 continues to read as follows:

Authority: 12 U.S.C. 1766(a), 1790d.

2. Amend § 702.106 as follows:

- a. Revise paragraph (b) to read as set forth below; and
- b. Revise Table 4 following paragraph (h) to read as set forth below:

§ 702.106 Standard calculation of risk-based net worth requirement.

* * * * *

(a) * * *

(b) *Member business loans outstanding.* The sum of:

(1) Six percent (6%) of the amount of member business loans outstanding less than or equal to fifteen percent (15%) of total assets;

(2) Eight percent (8%) of the amount of member business loans outstanding greater than fifteen percent (15%), but less than or equal to twenty-five percent (25%), of total assets; and

(3) Fourteen percent (14%) of the amount in excess of twenty-five percent (25%) of total assets;

* * * * *

TABLE 4.—§ 702.106 STANDARD CALCULATION OF RBNW REQUIREMENT

Risk portfolio	Amount of risk portfolio (as percent of quarter-end total assets) to be multiplied by risk weighting	Risk weighting
(a) Long-term real estate loans	0 to 25.00%06
	over 25.00%14
(b) MBLs outstanding	0 to 15.00%06
	>15.00% to 25.00%08
	over 25.00%14