

## APPENDIX D—EXAMPLE OF MEMBER BUSINESS LOANS ALTERNATIVE COMPONENT, § 702.107(B)

[Example calculation in bold]

Remaining maturity	Dollar balance of MBLs by remaining maturity	Percent of total assets by remaining maturity	Alternative risk weighting	Alternative component (percent)
Fixed-rate MBLs 0 to 3 years .....	<b>6,000,000</b>	<b>3.0000</b>	.06	<b>0.1800</b>
> 3 years to 5 years .....	<b>4,000,000</b>	<b>2.0000</b>	.09	<b>0.1800</b>
> 5 years to 7 years .....	<b>2,000,000</b>	<b>1.0000</b>	.12	<b>0.1200</b>
> 7 years to 12 years .....	<b>0</b>	<b>0.0000</b>	.14	<b>0.0000</b>
> 12 years .....	<b>0</b>	<b>0.0000</b>	.16	<b>0.0000</b>
Variable-rate MBLs 0 to 3 years .....	<b>17,000,000</b>	<b>8.5000</b>	.06	<b>0.5100</b>
> 3 years to 5 years .....	<b>4,000,000</b>	<b>2.0000</b>	.08	<b>0.1600</b>
> 5 years to 7 years .....	<b>2,000,000</b>	<b>1.0000</b>	.10	<b>0.1000</b>
> 7 years to 12 years .....	<b>0</b>	<b>0.0000</b>	.12	<b>0.0000</b>
>12 years .....	<b>0</b>	<b>0.0000</b>	.14	<b>0.0000</b>
Sum of above equals Alternative component* .....				<b>1.25</b>

\* Substitute for standard component if lower.

5. Revise Appendix H to Subpart A of Part 702 to read as follows:

## APPENDIX H.—EXAMPLE RBNW REQUIREMENT USING ALTERNATIVE COMPONENTS

[Example calculation in bold]

Risk portfolio	Standard component	In percent	
		Alternative component	Lower of standard or alternative component
(a) Long-term real estate loans .....	<b>2.20</b>	<b>2.85</b>	<b>2.20</b>
(b) MBLs outstanding .....	<b>1.10</b>	<b>1.25</b>	<b>1.10</b>
(c) Investments .....	<b>1.51</b>	<b>1.37</b>	<b>1.37</b>
(f) Loans sold with recourse .....	<b>1.20</b>	<b>1.03</b>	<b>1.03</b>
(d) Low-risk assets .....			<sup>1</sup> 0
(e) Average-risk assets .....			<sup>1</sup> 1.53
(g) Unused MBL commitments .....			<sup>1</sup> 0.15
(h) Allowance .....			<sup>1</sup> (1.02)
RBNW requirement <sup>2</sup> Compare to Net Worth Ratio .....			<sup>1</sup> 6.53

<sup>1</sup> Standard components.<sup>2</sup> A credit union is "undercapitalized" if its net worth ratio is less than its applicable RBNW requirement.**PART 704—CORPORATE CREDIT UNIONS**

6. The authority citation for part 704 is revised to read as follows:

**Authority:** 12 U.S.C. 1766(a), 1781, 1789.

7. Amend § 704.7 paragraph (e)(2) by revising the sentence as follows:

**§ 704.7 Lending.**

\* \* \* \* \*

(e) \* \* \*

(2) Corporate CUSOs are not subject to part 723 of this chapter.

\* \* \* \* \*

8. Amend § 704.11 by removing paragraph (b)(4).

**PART 712—CREDIT UNION SERVICE ORGANIZATIONS (CUSOs)**

9. The authority citation for part 712 continues to read as follows:

**Authority:** 12 U.S.C. 1756, 1757(5)(D) and (7)(I), 1766, 1782, 1784, 1785, and 1786.

10. In § 712.5, redesignate paragraphs (c) to (q) as paragraphs (d) to (r) and add new paragraph (c) to read as follows:

(c) Business loan origination;

**PART 723—MEMBER BUSINESS LOANS**

11. The authority citation for part 723 continues to read as follows:

**Authority:** 12 U.S.C. 1756, 1757, 1757A, 1766, 1785, 1789.

12. Amend § 723.1 as follows:

a. Add the phrase "the outstanding member business loan balances are" after the word "when" in paragraph (b)(3);

b. Add paragraphs (c) and (d).

**§ 723.1 What is a member business loan?**

\* \* \* \* \*

(c) *Loans to credit unions and credit union service organizations.* This part does not apply to loans made by federal credit unions to credit unions and credit union service organizations. This part does not apply to loans made by a federally insured, state-chartered credit union to credit unions and credit union service organizations if the credit union's state supervisory authority determines that state law grants independent authority to lend to these entities.

(d) *Loan participations.* Any interest obtained in participation loans is excluded from a purchasing credit union's aggregate member business loan limit, but the purchasing credit union must otherwise comply, as if it had originated the loan, with both the requirements of this part and the risk-weighting standards under part 702 of this chapter.