

13. Amend § 723.3 by revising paragraph (a) and paragraph (b) to read as follows:

**§ 723.3 What are the requirements for construction and development lending?**

\* \* \* \* \*

(a) The aggregate of the outstanding member business loan balances for all construction and development loans must not exceed 15% of net worth. In determining the aggregate balances for purposes of this limitation, a credit union may exclude any loan made to finance the construction of a single-family residence if a prospective homeowner has contracted to purchase and reside in the property and may also exclude a loan to finance the construction of one single-family residence per member-borrower or group of associated member-borrowers, irrespective of the existence of a contractual commitment from a prospective homeowner to purchase and reside in the property.

(b) The borrower must have a minimum of 25% equity interest in the project being financed, except that this requirement shall not apply in the case of a loan made to finance the construction of a single-family residence if a prospective homeowner has contracted to purchase and reside in the property and in the case of one loan to a member-borrower or group of associated member-borrowers to finance the construction of a single-family residence, irrespective of the existence of a contractual commitment from a prospective homeowner to purchase and reside in the property. Instead, the collateral requirements of § 723.7 shall apply; and

\* \* \* \* \*

**§ 723.5 [Amended]**

14. Amend § 723.5 as follows:

a. Add the following sentence after the word “in”:

The experience should provide the credit union sufficient expertise given the complexity and risk exposure of the loans in which the credit union intends to engage.

b. Add the following sentence after the word “parties”:

Any third-party used by a credit union to meet the requirements of this section must be independent from the transaction and may not benefit from the making of the loan or the sale of a participation interest which the third-party is hired to review, except to the extent of providing a service to the credit union.

**§ 723.6 [Amended]**

15. Amend § 723.6 as follows:

a. Add the phrase “secured and unsecured” before the word “business” in paragraph (c);

b. Add “§ 723.7(b)(2) and” after the words “subject to” in paragraph (e);

c. Add the phrase “consistent with appropriate underwriting and due diligence standards, which also addresses the need for periodic financial statements, credit reports, and other data when necessary to analyze future lines of credit, such as, borrower’s history and experience, balance sheet, cash flow analysis, income statements, tax data, environmental impact assessment, and comparison with industry averages, depending upon the loan purpose” after the word “loan” in paragraph (g);

d. Remove paragraphs (h) and (i) and redesignate paragraphs (j) to (m) as (h) to (k).

16. Amend § 723.7 by revising paragraph (a) and paragraph (b), and by adding paragraph (d) to read as follows:

**§ 723.7 What are the collateral and security requirements?**

(a) Unless your Regional Director grants a waiver, all member business loans, except those made under paragraphs (b), (c), and (d), must be secured by collateral as follows:

(1) The minimum loan-to-value ratio for all liens must not exceed 80% unless the value in excess of 80% is covered through private mortgage insurance or equivalent type of insurance, or insured, guaranteed, or subject to advance commitment to purchase by an agency of the federal government, an agency of a state or any of its political subdivisions, but in no case may the ratio exceed 95%;

(2) A borrower may not substitute any insurance, guarantee, or advance commitment to purchase by any agency of the federal government, a state or any political subdivision of such state for the collateral requirements of this paragraph.

(b) You may make unsecured member business loans under the following conditions:

(1) You are well-capitalized as defined by § 702.102(a)(1) of this chapter;

(2) The aggregate of the unsecured outstanding member business loans to any one member or group of associated members does not exceed the lesser of \$100,000 or 2.5% of your net worth; and

(3) The aggregate of all unsecured outstanding member business loans does not exceed 10% of your net worth.

\* \* \* \* \*

(d) Federally insured credit unions may make vehicle loans under this part without complying with the loan-to-

value ratios in this section, provided that the vehicle is a car, van, pick-up truck, or sports utility vehicle.

17. Amend § 723.8 by adding the words “loan balances” after the word “business” and removing the word “loans (including any unfunded commitments).”

18. Remove and reserve § 723.9.

19. Revise § 723.10 to read as follows:

**§ 723.10 What waivers are available?**

You may seek a waiver for a category of loans in any of the following areas:

(a) Appraisal requirements under § 722.3;

(b) Aggregate construction and development loans limits under § 723.3(a);

(c) Minimum borrower equity requirements for construction and development loans under § 723.3(b);

(d) Loan-to-value ratio requirements for business loans under § 723.7(a);

(e) Maximum unsecured business loans to one member or group of associated members under § 723.7(b)(2);

(f) Maximum aggregate unsecured member business loan limit under § 723.7(b)(3); and

(g) Maximum aggregate outstanding member business loan balance to any one member or group of associated members under § 723.8.

20. Remove and reserve § 723.14.

21. Remove and reserve § 723.15.

22. Revise the first sentence of § 723.16 as follows:

**§ 723.16 What is the aggregate member business loan limit for a credit union?**

The aggregate limit on a credit union’s outstanding member business loan balances, excluding any interest obtained in participation loans, is the lesser of 1.75 times the credit union’s net worth or 12.25% of the credit union’s total assets. \* \* \*

23. Add the following definition to § 723.21:

**§ 723.21 Definitions.**

\* \* \* \* \*

*Outstanding Member Business Loan Balance* means the outstanding loan balance and any unfunded commitments, excluding any portion of the loan that is secured by shares in the credit union, or by shares or deposits in other financial institutions, or by a lien in the member’s primary residence, or fully or partially insured or guaranteed by any agency of the Federal Government, a state or any political subdivision of such state, or subject to an advance commitment to purchase by any agency of the federal government, a state or any political subdivision of such