



HEADS UP: NCUA'S MBL FINAL RULE PHASE 1 - PERSONAL GUARANTEE REQUIREMENT GOES AWAY APRIL 29!

Credit Union Business Lenders: Your MBL door is opening wider. When the NCUA Board unanimously approved its MBL Final Rule back in February, outgoing Chairman Debbie Matz called it a "new era" for NCUA as a regulator and for credit unions as business lenders. The rule hadn't been updated significantly since 2003. It was time.

The entire final rule takes effect January 1, 2017, but the first key change is effective 60 days from the rule's publication in the Federal Register. So beginning next week - Friday, April 29, 2016 - credit union business lenders will have the option to do away with the personal guarantee requirement. According to Chairman Matz, she wanted this first provision to take effect as soon as possible, because she'd heard "loud and clear" from credit unions that the existing guarantee requirement was costing them business.

What about the rest? Overall, the final rule frees you to set your own MBL policies. In addition to allowing business lenders to waive the personal guarantee requirement, key changes include:

- the freedom for each credit union to "prudently" write its own business loan policy without prescriptive regulatory limits
- replacing LTV limits with appropriate collateral capital
- lifting all "unnecessary" limits on construction and development loans
- clarification that participation interests in loans to non-members don't count against the statutory member business lending cap
- increases the 15% of net worth limit on loans to one borrower to 25% if the additional 10% is supported by readily marketable collateral

Implementing the entire final rule involves significant NCUA staff retraining. Field staff training finishes up this month - allowing for the April 29 personal guarantee waiver effective date. Specialist and state field staff training are scheduled for September, October and November. When training wraps up, NCUA will send you detailed supervisory guidance to prepare your policies before the January 1 effective date.

All in all great news. As prudent lenders, you'll still be evaluating loans on a case-by-case basis. And as consultants, we offer a caveat: When a borrower's property LTV exceeds 50%, proceed with caution in eliminating the personal guarantee requirement.

We hope this "new era" encourages you to increase your SBA and MBL portfolios. At JRB we're here to assist you every step of the way!

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