

May 30, 2002

Virginia A. Eckardt, Treasurer
C.A.W.A. Federal Credit Union
P.O. Box 938
Severna Park, Maryland 21146

Re: Aggregate Limits on Member Business Loans (MBLs).

Dear Ms. Eckardt:

You have asked if a credit union (CU) may use the outstanding loan balance for an MBL, rather than the original amount, to determine if subsequent business purpose loans to the same member are MBLs. Yes, a CU may use the MBL's outstanding loan balance in its calculations unless the loan is a line of credit.

Consistent with our MBL rule's provisions on aggregate loan limits, a CU may use outstanding loan balances rather than original loan amounts to determine if multiple business purpose loans to a member are MBLs. When determining if loans to one member exceed 15% of the CU's net worth, the CU begins its analysis with the "total outstanding balance" of MBLs to that member. 12 C.F.R. §723.9. Likewise, a CU calculates its aggregate MBL limit based on the total of the outstanding balances of all MBLs, not their original loan amounts. 12 C.F.R. §723.16.

Similarly, a CU may add the outstanding balance of a member's aggregate MBLs to the original loan amount of any new, subsequent loan to determine if, when added together, they exceed the rule's \$50,000 threshold for qualifying as an MBL. 12 C.F.R. §723.1(b)(3). If the combination of all of these loans does not exceed \$50,000, the subsequent loan is not an MBL and is not subject to our MBL rule. In the attached letter from me to Mary Beth Wong, dated August 17, 1998, we noted that when acquiring participation interests in multiple loans to one member, the participating CU uses the earlier loan's outstanding balance to determine if the CU must satisfy the MBL rule requirements.

We note, however, that a CU may not use outstanding balances in this context on lines of credit due to the member's ability to draw on the line and easily alter the MBL's outstanding balance.

Sincerely,

Sheila A. Albin
Associate General Counsel

GC/CJL:bhs/SSIC 3500/02-0384

Enclosure

cc: Region II