

§ 723.7

12 CFR Ch. VII (1–1–99 Edition)

(e) The maximum amount of your assets, in relation to reserves, that you will loan to any one member or group of associated members, subject to § 723.8;

(f) The qualifications and experience of personnel (minimum of 2 years) involved in making and administering business loans;

(g) A requirement to analyze and document the ability of the borrower to repay the loan;

(h) Receipt and periodic updating of financial statements and other documentation, including tax returns;

(i) A requirement for sufficient documentation supporting each request to extend credit, or increase an existing loan or line of credit (except where the board of directors finds that the documentation requirements are not generally available for a particular type of business loan and states the reasons for those findings in the credit union's written policies). At a minimum, your documentation must include the following:

- (1) Balance sheet;
- (2) Cash flow analysis;
- (3) Income statement;
- (4) Tax data;

(5) Analysis of leveraging; and
 (6) Comparison with industry average or similar analysis.

(j) The collateral requirements must include:

- (1) Loan-to-value ratios;
- (2) Determination of value;
- (3) Determination of ownership;
- (4) Steps to secure various types of collateral; and
- (5) How often the credit union will re-evaluate the value and marketability of collateral;
- (k) The interest rates and maturities of business loans;
- (l) General loan procedures which include:
 - (1) Loan monitoring;
 - (2) Servicing and follow-up; and
 - (3) Collection;
- (m) Identification of those individuals prohibited from receiving member business loans.

§ 723.7 What are the collateral and security requirements?

(a) Unless your Regional Director grants a waiver, all member business loans must be secured by collateral as follows:

Lien	Minimum loan to value requirements
All	LTV ratios cannot exceed 95%.
First	You may grant a LTV ratio in excess of 80% only where the value in excess of 80% is covered through: for real estate member business loans, acquisition of private mortgage or equivalent type insurance provided by an insurer acceptable to the credit union (where available); insurance or guarantees by, or subject to advance commitment to purchase by, an agency of the federal government; or insurance or guarantees by, or subject to advance commitment to purchase by, an agency of a state or any of its political subdivisions.
First	LTV ratios up to 80%.
Second	LTV ratios up to 80%.

(b) Borrowers, other than a not for profit organization as defined by the Internal Revenue Service Code (26 U.S.C. 501) or those where the Regional Director grants a waiver, must provide their personal liability and guarantee.

(c) Federally insured credit unions are exempt from the provisions of paragraphs (a) and (b) of this section with respect to credit card line of credit programs offered to nonnatural person members that are limited to routine purposes normally made available under those programs.

§ 723.8 How much may one member, or a group of associated members, borrow?

The aggregate amount of outstanding member business loans (including any unfunded commitments) to any one member or group of associated members must not exceed the greater of:

- (a) 15% of the credit union's reserves (excluding the Allowance for Loan Losses account); or
- (b) \$100,000; or
- (c) An amount approved by the credit union's Regional Director.