September 18, 2018

GENERAL LETTER CU 4-18
LOANS

TO ALL CREDIT UNIONS:

This letter is to provide clarification to all Wisconsin state-chartered credit unions regarding loans. Wisconsin Statute 186.098 (1) states “LOAN APPROVAL. The credit union may make loans to members upon terms approved by the credit committee, loan officer or board of directors.” Wisconsin Statute 186.113 (13) states “MULTIPARTY ACCOUNTS. Issue multiple accounts in joint tenancy with any person designated by the member. The person first named on the account shall be a member of the credit union. A nonmember named in the joint account shall not acquire the right to vote, obtain loans or hold office because of the nonmember’s inclusion in the joint account.”

The Office of Credit Unions interprets these two statutes that a credit union can only make loans to members. Therefore, co-borrowers on a loan must be a member of the credit union. A cosigner on a loan does not need to be a member as they are not a borrower, they are a guarantor of the loan.

The Office of Credit Unions (OCU) realizes that credit unions have not interpreted the statute this way and many credit unions have loans with co-borrowers that are not members. The OCU is not requiring that credit unions review existing loans to ensure all borrowers are members. However, effective immediately and going forward, all credit unions must be mindful of the statutes and only grant loans to members. The bylaws of your credit union prescribe the conditions that determine eligibility for membership. Compliance with statutes and bylaws will be reviewed at examinations and discussed with management.

If you have questions, please contact the Office of Credit Unions at 608-261-9543.

Sincerely,

Kim Santos, Director
OFFICE OF CREDIT UNIONS