April 5, 2018

GENERAL LETTER CU 2-18
PURCHASE OF LOANS

TO ALL CREDIT UNIONS:

Through the examination process, the Office of Credit Unions (OCU) has noted several situations in which credit unions have purchased whole loans (either individually or in a pool of loans). These loans were non-member loans.

Wisconsin Statute, Chapter 186 does not permit the purchase of whole loans. In addition, Chapter 186 only references member loans. Therefore, the Office of Credit Unions has long held that purchasing whole loans of non-members is not a permissible activity for Wisconsin state-chartered credit unions. If your credit union has purchased non-member loans, it is advised that you work with your legal counsel to become compliant.

Credit unions must distinguish between loan participations and the purchase of whole loans. Loan participations are a permissible activity as noted in 186.098 (9m). Loan participations are also subject to National Credit Union Administration (NCUA) Rule & Regulation, Part 701.22.

Before engaging in any activity, management must verify the permissibility of the activity under Wisconsin Statute and/or Administrative Code. In addition, credit unions must review any applicable NCUA rules and regulations and specifically those related to the requirements for insurance (NCUA Rules & Regulations, Part 741).

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

Sincerely,

Kim Santos
Director
OFFICE OF CREDIT UNIONS