Commercial LOAN PARTICIPATION PROGRAM

General Statement
California Credit Union may engage in loan participation transactions with other credit unions, credit union organizations or other financial organizations. The purchase and sale of sound loans assists management of CCU to:

1) Increase loans as a percentage of total assets
2) Manage the composition of the loan portfolio
3) Achieve geographic dispersion
4) Maximize the return on investment for its members
5) Achieve overall growth in assets consistent with safety and soundness standards

Definition
Participation Loan means a loan where one or more eligible organizations participate pursuant to a written agreement with the originating lender. Eligible organizations means a federal or state chartered credit union, a credit union organization established primarily to serve the operational needs of its member credit unions, or other state or federally chartered and federally insured Federal Deposit Insurance Corporation (FDIC) institutions.

It shall be the policy of California Credit Union to comply with all federal and state statutes and regulations, including NCUA MBL regulations 723, participation section 701.22, NCUA Guidance Letter 13-CU-07, GAAP and FASB 166 and 167 such that credit participations meet the criteria of “true participations”. It is understood that all accounting and regulatory rules must be followed in order for the proper classification of transactions as transfers of financial assets.

CCU may participate in a loan originated by another credit union, which is made to a member of the originating credit union.

Loan Approval
Approval to purchase and subsequently manage purchased participations will follow the same authority limits as outlined in the Commercial Loan section of this Policy.

Participation Loan Terms
The following shall apply to all participation loans, whether they are sale or purchase transactions:

- A written master participation agreement shall be properly executed, and retained by CCU. The master agreement shall include, either directly or through a document incorporated by reference into the master agreement, provisions for identifying the participation loan or loans prior to their purchase or sale.
- CCU shall retain the original or copies of the loan documents on participation loans either purchased by CCU or sold to others.
- CCU may sell or purchase from any participant the servicing of any loan in which it owns a participation interest.
- Real property must secure loans being considered for participation.

CCU as an Originating Participant
On loans for which CCU is the originating lender, it shall:

1) Originate loans only to its members.
2) Retain an interest of at least 5% of the face amount of each loan.
3) All loans must comply fully with all of CCU’s underwriting standards.
CCU as a Non-Originating Participant

As a participant in loans for which it is not the originating lender, CCU shall:
1. Participate only in loans it is empowered by policy to grant to its members.
2. Participate only in loans where the underwriting standards meet the standards for similar loans originated by CCU for its own members.
3. Not rely on the underwriting of originating financial institution, but will instead, using all of the raw data, including property information, appraisals, financial statements, tax returns, personal financial statements conduct an independent analysis and credit decision using all the standards for CCU direct loans.
4. Purchase participation loans only if made to members of another federally insured credit union. Since purchased loans to existing CCU members are not excluded from the MBL Cap and classified as direct MBLs, the credit union will only seek to purchase Commercial Loans made to non-members.
5. Obtain the appropriate loan approval, based on the board approved delegated authorities, for the disbursement of proceeds to the originating lender.
6. Evaluate the size and resources of the originating credit union and its ability to underwrite, fund, service and collect loans relative to the complexity of the participation transaction.
7. Confirm that the aggregate amount of loan participations purchased from any one originating lender does not exceed the greater of $5,000,000 or 25 percent of regulatory net worth,

Limits on Amount of Commercial Real Estate Loan Participations by Property Type

Aggregate balance of true participations that are excludable from the MBL cap limitation shall not exceed the lessor of 50% of Regulatory Net Worth and 5% of Assets.