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August 25, 2008

National Credit Union Administration
Mary Rupp, Secretary of the Board
1775 Duke Street
Alexandria, VA 22314-3428

Subject: Proposal to Amend Member Business Loan Rules

AUG26'08 PM 3:20 BOARD

Dear Ms. Rupp:

Boeing Employees' Credit Union ("BECU") appreciates the opportunity to comment on the National Credit Union Administration ("NCUA") amendments to its member business loan rule. BECU is a federally insured, state-chartered credit union with assets of $8.1 billion representing a membership base of over 573,000 members. Although BECU is a state-chartered credit union and is required to follow state law on member business loans, BECU advocates NCUA continuing its efforts to enhance member business lending for all credit unions and remove supervisory barriers that are not necessitated by safety and soundness or statutory requirements and that NCUA's proposed rule change would apply to federally insured credit unions that are covered by NCUA's MBL regulation.

BECU's Views on the Proposal

1. NCUA is concerned that easing restriction on Construction and Development ("C & D") loans may adversely affect safety and soundness of the credit union's loan portfolio and questions whether the current waiver provisions for C & D loans (i.e. appraisal requirements, aggregate C & D loan limits, minimum borrower equity requirements, etc.) are sufficient if these restrictions are not eased.

BECU advocates easing the restrictions on C & D loans. BECU urges NCUA to consider whether C & D loan limits, minimum borrower equity requirements for certain loans, loan-to-value (LTV) requirements, and others are more in the nature of business judgment issues that should more appropriately be addressed in a credit union's member business loan policy (ultimately approved by the credit union's Board of Directors). BECU believes that allowing credit unions the flexibility to create their own business loan policies will give them additional tools to provide these types of loans on a more competitive basis, while satisfying safety and soundness requirements.

2. NCUA's proposal considers modifying the LTV requirements for loans on fleet vehicles for the purpose of making credit unions more competitive. The proposal also defines the term "fleet" more narrowly in an effort to include fewer vehicles.

BECU supports this change as there are few distinctions between a vehicle that is used for a business purpose and a vehicle that is used for a consumer purpose. Essentially, a credit union has to make case-by-case determinations based on the facts presented by the borrower if vehicles are part of a *fleet. However, BECU believes that if a credit union is financing a fleet of vehicles, then that arrangement would be covered under the member business loan rule.*

3. NCUA requests comment on changing, improving, or clarifying the MBL LTV requirements, such as raising or eliminating the limits, or suggestions regarding the unsecured MBL exception, including the regulatory credit limit on business credit cards.

The rule permits credit unions to apply for waivers from these limitations, however BECU believes the limits should not be unduly restrictive in order to encourage member business lending. This can be accomplished without jeopardizing safety and soundness.

BECU strongly recommends that NCUA raise the MBL limit from 12.25% to 20% of assets because BECU believes credit unions should not be forced to operate with more restrictive MBL limits than those afforded by thrift companies. If credit unions are forced to operate with more restrictive MBL limits that those afforded by thrift companies, then the playing field is not level and competition is subsequently thwarted. BECU advocates that the rules should be applied in a competitively neutral manner, so that competition is encouraged. In a competitive marketplace, consumers ultimately benefit because they can choose among options that are best suited to their individual needs.

Another amendment should be to change the definition of MBLs to exclude loans under $100,000 from the limits of MBLs. Additionally, BECU recommends eliminating the dollar ceiling on unsecured MBLs to one borrower and to retain the limit of the 2.5% of the credit union's net worth for unsecured MBLs. Likewise, NCUA should consider eliminating the limits on aggregate unsecured MBLs, which would then be subject to general limits on member business lending.

4. NCUA would like comments on the following: whether differences between various types of collateral support using tiered approaches to LTV limits (loans secured by safer collateral would have higher LTV limits) would be beneficial.

BECU strongly urges NCUA to allow credit unions to extend additional mortgage loans to members for personal investment purposes and not count such mortgage loans as MBLs. BECU could support the proposed tiered approach to LTV limits as long as the LTV limits for secured loans are higher and would not be more restrictive than the limits already in place.

5. NCUA is reviewing the "direct experience" requirement as it relates to credit unions that use Credit Union Service Organizations ("CUSO") or other service providers. The direct experience requirement means that individuals representing CUSOs or other service providers must have at least two years of direct experience with the type of lending that the credit union will be engaging in. The experience factor insures that the credit union is making decisions based on sufficient expertise and knowledge to initiate and complete loans, given the complexity and risk exposure of the loans the credit union will be undertaking. NCUA is asking for suggestions to clarify how this requirement can be met or calculated using both in-house employees and third-party contractors. Additionally, NCUA requests clarification of the role CUSOs may play in providing that expertise to non-owner credit unions and credit unions that wholly or partially own the CUSO.

BECU agrees with NCUA that employees should be required to have direct experience in the type of lending the credit union engages in. However, BECU believes that restricting a credit union from *obtaining the services of a third party in certain situations needlessly restricts BECU from using the services of CUSOs and other service providers that offer a range of services to credit unions.*

6. NCUA requests what their additional guidance on the parameters for loan participations. Specifically, NCUA asks whether credit unions are aware of both the general loan participation rules and the related rules that are in the specific MBL rules.

NCUA should clarify that credit unions purchasing participation interests in MBLs originally made to other credit unions are not required to include the purchase when calculating their aggregate loan limit. The accounting provisions are not clear about this requirement. BECU also recommends that Part 701.22- the Loan Participation provisions should be included in the MBL Rule Part 723, as applicable to the MBL rule. A clarification in the rule would enable credit unions to obtain the information in one location. Additionally, the rule should specifically state whether or not a credit union may purchase loans from financial institutions that are credit unions.

7. NCUA asked for additional comments relating to NCUA's implementation of the MBL rules.

Even though NCUA will develop amendments that have the effect of promoting business loans, NCUA should continue to strongly encourage state regulators to innovate in the area of their MBL regulations. Even after the adoption of NCUA's final MBL amendments, BECU hopes that NCUA will continue to entertain requests from state regulators for rule variances.

BECU strongly urges NCUA to consider modifications to the MBL rules that ease the burdens described above. Modifications that promote competition and that do not raise safety and soundness concerns are firmly grounded in the Federal Credit Union Act. Again, BECU believes that many modifications to business loans can and should be addressed in a credit union's MBL policy approved by its Board, rather than through detailed, burdensome and potentially unworkable regulations.

Thank you for the opportunity to provide comments on this proposal. BECU looks forward to the outcome.

Sincerely,

Gary J. Oakland
President and CEO

Joe Brancucci
Executive Vice President
President/CEO, Prime Alliance Solutions, Inc.