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One League, One Focus - Your Success!

September 25, 2008

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

AUG26'08 AM 8:25 BOARD

Re: ANPR—Member Business Loans

Dear Ms. Rupp:

The Wisconsin Credit Union League, serving 260 credit unions and over two million members, appreciates the opportunity to provide the following comments regarding the NCUA's Member Business Loan Rule. The NCUA's MBL Rule very directly impacts state-chartered as well as federal credit unions because of the NCUA's safety and soundness oversight as well as the fact that the NCUA must approve state MBL rules.

We first take this opportunity to strongly urge the NCUA to bring its authority to bear to expand business lending—working to change the law (primarily getting the current statutory caps raised) as well as making its regulations and rules as flexible as possible to permit credit unions to do more business lending. Given the current economic climate and banks actually pulling back from business lending, credit unions' business members need more access to business loans. And not only would more credit access benefit credit union members, but the economy in general would be well served by the influx of dollars in support of economic growth in our communities. Many credit unions are ready to step up to assist in the business development of their members—and could do so safely and soundly—but are held back by constraints that are not consistent with their lending experience and sophistication.

Though the greatest constraint credit unions feel is the 12.25% asset limits cap, which requires a statutory change, the NCUA's MBL Rule contains several requirements and constraints that are not in the law and which, therefore, the NCUA has the authority to change or flex.

A frustrating reality of the current Rule for many credit unions is that it generally treats all credit unions alike—regardless of their experience and sophistication with business lending and regardless of their success generally. We urge that the Rule be modified to recognize that as a

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credit union gains business lending experience and judgment, it should also be given more leeway and flexibility to manage its own lending practices, including mitigating its own risk.

This general concept already appears sporadically in the Rule. For example, the LTV provision excludes from its coverage business credit cards and loans for vehicles that are not part of a fleet—two loan products with which credit unions are recognized to have extensive experience. And credit unions that meet RegFlex standards can make their own determination whether to require personal guarantees from principals of for-profit borrowers. We encourage the Board to recognize and permit other LTV exclusions as credit unions can demonstrate similar experience, so that skilled credit union business lenders can compete and participate in their communities on a more level, yet still safe, playing field.

(Indeed there are types of loans, e.g., fully collateralized non-fleet vehicle loans, that could be added to the exceptions to the MBL Rule—and therefore excepted from the statutory caps altogether—at least for experienced business lenders. These are loans in which credit unions have extensive experience and that represent minimal risk.)

The current waiver system is not a suitable means for providing this automatic flexibility for experienced credit unions. First, the time it takes to obtain a waiver limits its practical value significantly and often negates it entirely. For Wisconsin's state-chartered credit unions, for example, *obtaining a waiver can easily take 90 days or more*. Wisconsin's MBL rule requires application for a waiver first to the state director of credit unions, who has 45 days to respond. Then the state director submits the waiver petition to the NCUA regional director for a decision under the federal MBL Rule, and that director also has 45 days to respond.

A business looking for a loan cannot wait 90 days to find out whether the credit union can grant it. The member may want to do business with the credit union because the terms are better and the credit union may want to provide a good loan to a good member—but if the financial institution across the street can respond quickly and the credit union must tell the borrower there will be wait of up to 90 days just to find out whether a waiver will be granted, the borrower has little choice but to go elsewhere. The current time periods for considering waivers simply render them impractical for many credit unions.

Moreover, the procedures for obtaining a waiver are commonly considered to be cumbersome and time-consuming while at the same time offering little confidence that the waiver will be granted in the end. In keeping with our prior discussion about flexibility, we suggest that the Rule be modified to provide the most commonly granted waivers automatically to credit unions

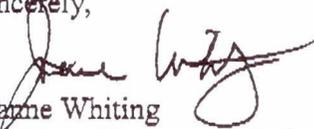
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that are experienced business lenders. In addition, though this would not be a Rule change, we suggest that the NCUA offer more guidance and clarification of the circumstances and standards under which waivers will be granted, giving credit unions more confidence that it is worthwhile to request a waiver. This guidance should also give examples of the types of blanket waivers (for groups of loans with similar characteristics) that might be given. A more expeditious process for granting waivers—along with more complete and consistent training for examiners who will consider the waivers—will make the waiver provision much more valuable.

In today's economic climate, both credit union members and their communities will be well-served by an MBL Rule that recognizes the maturity and sophistication of many credit union business lenders. A more flexible Rule will permit these credit unions to better participate in the marketplace without compromising safety and soundness.

Thank you for the opportunity to offer these comments.

Sincerely,



Joanne Whiting
EVP/Chief Advocacy Officer
The Wisconsin Credit Union League