



Purdue Employees Federal Credit Union

AUG 26 '08 AM 9:03 BDA

August 21, 2008

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

RE: Comments on Advance Notice of Proposed Rulemaking for Part 723

Dear Ms. Rupp:

This letter is in response to the request from the National Credit Union Administration (“NCUA”) regarding the above referenced. I appreciate the opportunity to provide input to the proposed rulemaking, and will attempt to address specific provisions under consideration.

**Loan-to-Value Ratio Requirements and Unsecured MBLs.** 12 CFR 723.3 and 723.7 are very clear in regards to construction and development loans, loan to value ratios (“LTV”) and security requirements. However, the requirements outline in these two sections are too restrictive and do not provide sufficient flexibility to respond to business members needs in a timely and competitive manner.

Although the MBL Rules and Regulations provide an avenue through waiver requests to reduce the amount of required member equity in commercial and development (“C&D”) loans, the requirements are burdensome and time consuming. As a result, I am supportive of the NCUA relaxing the minimum required equity interest in C&D loans from 25% to 20%. A timely response to member loan requests is of utmost importance to remaining competitive in business lending. By the time a waiver request is prepared and submitted, another lender may have closed the loan. A reduction of the minimum equity would also allow credit unions to at least compete on a level “playing” field with other federally insured financial institutions in regards to C&D loans. If 20% equity is sufficient in all other real estate transactions, then it should be adequate in a C&D loan.

Part 723.7 (e) provides adequate flexibility in regards to vehicle loans titled in the name of a business. However, I would recommend reconsideration of the definition of “fleet” to provide greater flexibility to service businesses, excluding taxis and limousines. A



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vehicle for delivery of products and services should not be considered to be part of a fleet unless at least five (5) vehicles are involved rather than the current two (2). In addition, a vehicle should not be considered to be a part of a fleet unless it is modified for service purposes or re-painted for business identification purposes.

**Experience Requirement and CUSO Activities.** In my opinion, a person with only two years experience in business or commercial lending does not possess the necessary knowledge and experience to make sound business loans. A minimum of at least five (5) years experience would at least represent a sufficient period of time to experience the success or failure of their decisions. This person should be a direct employee of the institution and not a third party contractor without a vested interest in the loan. It's too easy for consultants to make recommendations without financial repercussions.

**Loan Participations.** The rules and regulations are adequate in regards to participations. Credit unions purchasing loan participations should be required to underwrite the loan as if it is making the loan directly. Otherwise, "do not purchase a loan without doing your own due diligence."

**Waivers.** Credit unions do not avail themselves to seeking waivers as they are too burdensome and time-consuming, thus prohibiting a credit union from being responsive to their member's needs and timelines. The rules should provide sufficient flexibility to credit unions to make member business loans without waivers. Annual NCUA examinations should be sufficient in determining the riskiness of a credit union's underwriting.

**General Comments.** In summary, the MBL rules are burdensome. A few "minor" changes would provide greater flexibility and alleviate the complexity of operating under the rules and regulations.

1. Change of the aggregate member loan limit (723.16) to the "greater" of calculation as compared to the "lesser" would be of benefit to most organizations. More importantly, an increase in the percentage of the credit union's total assets for 12.25% to 25% would be even better. We just want a level playing field as compared to other federally insured financial institutions.
2. Increase the amount under which a loan is considered to be an member business loan ("MBL"), as defined in Part 723.1(b)3, to \$250,000 or more would rectify most issues in regards to providing credit unions greater flexibility to pursue small business loans. The \$50,000 level forces credit union to ignore smaller loans as they are too costly and burdensome to underwrite, document and collateralize under the regulations as they are now written.
3. Exempt member business loans made in "underserved areas" from the MBL cap (723.16(a)). Underserved areas are defined as census tracts that qualify as "investment areas" for the Community Development Financial Institutions program or as "low income areas under the New Markets Tax Credit program adopted by Congress in 2000.

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Thank you for providing me with an opportunity to respond to the proposed rulemaking for Part 723. I hope my comments are both informative and appreciated.

Sincerely,

A handwritten signature in dark ink, appearing to read "Phillip M. Thoben". The signature is fluid and cursive, with a long horizontal stroke at the end.

Phillip M. Thoben  
Assistant Vice President  
Commercial Services