August 18, 2015

National Credit Union Administration
1775 Duke St.
Board Secretary
Alexandria, VA 22314

RE: Comments on Proposed Rulemaking for Part 723; RIN 3133–AE37

Dear Gerard Poliquin,

I am writing on behalf of Acadia Federal Credit Union, which serves Aroostook County, Maine. We have over 10,000 Members and over $135 million in assets. Acadia Federal Credit Union appreciates the opportunity to provide the comments to the National Credit Union Administration (NCUA) on its proposed amendments to the member business lending regulation.

After reading the proposed MBL regulation changes, I want to write in support of this endeavor. It is clear that this change alleviates a lot of the restrictions and limitations that currently inhibit credit unions from fully serving business members.

The eliminations of several current regulations are of great importance to our operations. The removal of the LTV requirement is particularly of note. The lifting of this regulation would allow us to be able to prudently service the needs of local businesses which we are currently unable due to the LTV limitation. These businesses are small in nature with limited complexity and do not have access to other institutions, whose own regulations do not limit their LTV. Their size is literally the limiting factor for the larger banks to service them labeling them as "too small". In the rural area which we service, these businesses are crucially important to the area's economic wellbeing and development. With the large amount of business owners looking to retire and sell their businesses, there is a need for the next generation of business owners to take over the reins. Being an area of lower economic wealth, the ability to have large amounts of disposable liquid funds to reach the current LTV thresholds is a real problem even though their expertise and business model makes them good loans. There is always a considerable personal investment which strengthens these loans further.

Building on the LTV change is our support for the revision of junior liens in calculating this ratio. As stated above, the need to have the next generation of entrepreneurs is of utmost importance. Existing long term business owners often ask us how we expect to finance their businesses when they retire and sell to others with our current LTV restrictions. They often mention that they would owner-finance part of the sale and take second lien position to facilitate a buyer with less than the required LTV. We absolutely embrace these situations! We would much rather take a loan in which the former business owner is still owed funds and has a legal lien behind us, rather than no one behind us at all. The reason is that this second position is a plan B of sorts, since the former owner has a vested interest in making this new owner successful. Furthermore, if the undesirable happens and the new owner fails, the former owner will forced to take the operations back up or lose their investment altogether. We see these as almost a business insurance failure of sorts. Eliminating junior liens restriction from this regulation provides us with this avenue to make stronger, better business loans.

The elimination of the two year requirement is also very welcomed. This regulation has caused significant setback to our department. Due to the requirement, competent and skilled employees from consumer lending with some exposure to business lending have been passed over for positions. Some of these employees have since left the Credit Union to seek further career development elsewhere while the position that they applied for remains vacant due to the unavailability of candidates with the required minimum 2 year experience. This will allow us to, while still looking for experienced candidates, develop skilled personnel internally through training and mentoring. This will give us a skilled and trained base from which to grow and fill the future business lending staff. Clearly this is crucial to maintaining the long term relationships that are created and needed in order to have success in business lending.

We also support the lifting of the MBL cap of 12.25% to total assets. The injection of funds which are currently unproductively sidelined would be a great overall economic benefit to the national economy. It would remove the shackles and allow credit unions to service those very business members that currently have either limited or no access to financing due to, again, their small size being turned away from the larger institutions. I think we can all agree that small business is the lifeblood of the economy and targeted almost exclusively by credit unions.

The proposed credit risk rating system is also a welcomed change. We are already in the process of implementing such a system and find that this will help in the management of risk and ongoing servicing of these loans. We think this is a prudent implementation within the needed regulatory changes.

The shift from prescriptive rule to principle-based rule is welcomed but there is a possible downside to this. Although looking to manage risk to an appropriate level is definitely in the best interest of both credit unions and NCUA, there is varying opinions as to what is an appropriate risk level. Enacting a principle based rule opens up the possibility of varying interpretations according to the individual's opinion level of appropriate risk. Thus, the possible downside is having varying examiners all with individual opinions of risk, and in turn different interpretations of the principle based rule. Uniformity of just application would be crucial for this change to be positive.

Furthermore, the current member business rule has many requirements that necessitate obtaining a waiver, even though they are not mandated by statute. This adds unnecessary burden to credit unions making commercial loans. The proposed rule would remove all of the requirements necessitating waivers and thus eliminate the need for waivers. This represents a major regulatory improvement that we fully support.

Again, we support the NCUA's efforts to modernize the MBL rule. Thank you for the opportunity to comment on this proposed rule and for considering our views.

Sincerely,

Luis Sanclemente
Vice President
Acadia FCU

cc: CUNA, CCUL