



4112 Kodiak Court, Unit D o Longmont, CO 80504

720-494-2740 o fax 720-494-2720

www.centennial-lending.com

August 14, 2015

National Credit Union Administration
Attn: Mr. Gerard Poliquin, Secretary to the NCUA Board
1775 Duke Street
Alexandria, VA 22314

AUG21 '15 AM 7:24 BOARD

RE: Comment Letter to the Proposed Amendments to NCUA's MBL Rule

Dear Mr. Poliquin:

As a CUSO that has been providing member business loan services to our owner and partner credit unions for fifteen years, I would like to commend the Board and the Agency for proposing what, in total, are very positive changes to the current Member Business Lending (MBL) rules. In proposing the move from a prescriptive approach to a more comprehensive, principle-based approach the Agency is acknowledging that as a whole credit unions have done a good job of making sound and prudent decisions in building and administering their MBL programs and warrant the opportunity to step out from under the restrictions maintained by the current rule to better serve their membership and compete with other lenders in this arena. Centennial Lending and our partners are appreciative of these efforts and continued principled lending combined with sound oversight will only serve to further strengthen the industry.

Additionally, we are grateful for the opportunity to respond to the proposed rule so that we may help provide additional feedback to shape the final rule into a final form that best suits the Agency and the credit union industry. In that vein, the following are our comments on areas in which we believe additional consideration may be warranted prior to issuing the final rule:

Prohibited Activities – Section 723.7(c) – Conflict of Interest

This section of the proposed regulation restricts a third party that is providing business loan services to one or more credit unions from receiving compensation which is contingent upon the closing of a loan. We understand the underlying argument is that this would incent a third party to potentially not act in good faith in order to promote the closing of loans which did not truly merit approval. However, the vast majority of the upfront compensation for all commercial loans historically has come in the form of loan origination fees which are by definition paid at closing. To preclude any third party from being paid any fee based upon the closing of a loan would at a minimum severely restrict the availability of third party providers to credit unions to meet their MBL needs. Further, this has not been a restriction historically and yet member business lending generated with third party assistance has played a major role in credit union MBL growth to date. Centennial Lending's model has been built upon the fact that we keep the origination and closing fees associated with the MBL's which are approved and closed which allows us to minimize the cost to the credit unions and remain competitive with other commercial lenders by not requiring application fees. Over the fifteen years we have operated in this manner, we and our owner credit unions have been examined hundreds of times with examiners continually reviewing work here and at our owner and partner credit unions with positive results and very limited losses.

If there is a restriction to be placed on the compensation of third parties for providing MBL services based on the closing of a loan, it is one from which CUSO's should be exempted. CUSO's have been a primary point of access for small and medium sized credit unions into the MBL arena. To limit the ability of CUSO's to provide this service in a cost effective manner would limit the ability of many credit unions to participate in member business loans. It would also increase risk for those who do by restricting their access to the expertise contained within the CUSO as well as reducing their options for loan participations which for many, including our owners and partners, has allowed for much greater diversification and volume than they would otherwise find available. Finally, CUSO's are formed to serve the best interests of their ownership. For Centennial, or any similar CUSO, to promote the closing of loans which do not warrant approval would generate a short-term improvement to the bottom line. However this would ultimately result in unwarranted risk and instability to the owning credit unions without which the CUSO would not exist.

Aggregate Member Business Loan Limit; Exclusions and Exceptions – Section 723.8

This section as proposed would require that a loan participation be without recourse and qualify for true sales accounting treatment under GAAP to be excluded from the calculation of the aggregate MBL limit. The standard argument to eliminate the true sale requirement is that at best it is costly and time consuming to get such an opinion from an attorney to this effect and it becomes even more onerous if it is needed for each loan for which this exemption should be applied. Practically, we have spoken with a number of attorneys on this matter and none of them are willing to provide us with a true sale opinion letter. This renders this requirement not just impractical but unobtainable. As such we would recommend that the without recourse requirement be retained but that the true sale requirement be deleted from the final rule.

Again, we view the proposed changes on the whole as a positive for the industry and a framework that will allow us to compete more effectively with the other lenders in this market while still promoting the safety and soundness of the credit unions originating and participating in MBL's. We believe that the timeframe for implementation is appropriate. While for competitive reasons we would like to begin operating under the new rule sooner than later, allowing sufficient time for credit unions to make appropriate changes to their policies and staffing and for the Agency to provide sufficient additional training to get their Specialists positioned to effectively administer the new rule makes good sense.

We appreciate your thoughtful consideration of our comments above as you work to finalize this rule. If you have any questions or we can be of further assistance in any way please do not hesitate to contact me.

Sincerely,



Mark Bostock
President