



August 10, 2015

Mr. Gerard Poliquin  
Secretary to the NCUA Board  
1775 Duke Street  
Alexandria, VA 22314

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

Dear Mr. Poliquin:

West Community Credit Union is pleased to comment on NCUA's Notice of Proposed Rulemaking for 12 CFR Part 723 regarding potential changes to the Member Business Loan regulations. We thank the Board for working to help credit unions better serve their members' business lending needs.

West Community Credit Union is a \$165 million institution serving members in the greater St. Louis metropolitan area and in Boone County, Missouri. We have a long history of serving our members' business lending needs in a safe and sound manner. During and after the recession, while banks slowed or ended their business lending efforts to de-leverage and improve their capital positions, West Community, like most credit unions, continued to stay committed to the lending needs of the members and communities we serve. Our business loan portfolio has grown steadily over this time and we have helped improve the lives of our members and their businesses. In many examples, we formed new relationships with those in our communities when their existing bank loans were not renewed, although they had always faithfully paid their loan on time. We have faced the challenge of nearing the business lending cap, which threatens our ability to continue to serve members in need of our services. We also have found it hard to explain to our members why our regulations were much more prescriptive (and restrictive) than the banks, which caused issues with timely renewals on their loans or overly conservative practices not consistent with their credit risk profile.

We believe these regulatory changes are paramount to supporting a sustainable business model that provides value and choice to our members and communities AND provides a structure for safe and sound risk management that continues to protect the National Credit Union Share Insurance Fund.

### **Comments on the Proposed Regulation**

We agree with the following proposed regulations and viewpoints:

- The clearer definition of what constitutes a member business loan under the law vs. a commercial loan
- The definition of the calculation of the MBL Lending Cap
- Moving to a principles-based approach from a prescriptive approach
- Elimination of the minimum two-year requirement for underwriting MBLs
- Removal of the specific requirements, such as LTVs and personal guarantees, that trigger the need for an NCUA waiver
- Exemption, for credit unions with less than \$250 million in assets and less active business lending programs

While an 18 month implementation time frame does not appear to be long, the impact of the regulatory burden has been a concern for a long period of time. These changes are very favorable to our members and our ability to continue to serve them, so it is imperative that a shorter time-frame be permitted for the enactment of at least the following portions of the regulation. We would suggest a 3 month implementation time-frame to enact the following changes:

- Definition of an MBL vs. a Commercial Loan
- Calculation of the MBL lending cap
- Removal of waiver requirements, such as LTV and personal guarantee

We would encourage the NCUA to use the full 18 month timeframe to better define how the principles based approach should be enforced and what policies and procedures should be defined under the new regulation. It will be especially important to ensure consistency across all the field examiners so that enforcement is fair and the true spirit of moving away from a prescriptive system is achieved.

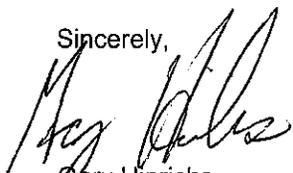
**Changes to the Proposal Requested**

While we would be comfortable if the proposed regulation moved forward in its current state, we would encourage the NCUA to consider amending its rules prohibiting prepayment penalties on any types of loans to allow credit unions to charge prepayment penalties on member business and commercial loans. This would put credit unions on equal footing with its competitors. Business lending is a more costly process and prepayment penalties would protect credit unions in the same manner afforded to banks. We do not believe the "cost recovery" clause is well understood by credit unions or practical enough to allow for effective use to obtain similar protection that a prepayment penalty provides. For this reason, we recommend that NCUA allow loans defined as Member Business Loans under Regulation 723 to be exempt from the prepayment penalty prohibition.

**Conclusion**

We believe NCUA, in providing this proposed regulatory change, is performing admirably in its role to maintain a strong, safe and sounds credit union system that serves its members' needs. We appreciate the ability to comment on this proposal and look forward to its implementation.

Sincerely,



Gary Hinrichs  
President/CEO



Jason Peach  
SVP/CFO

Richard Dillard  
Director of Business Services



Jeff Hinrichs  
Sr. Commercial Loan Officer