HudsonValley®
FEDERAL CREDIT UNION
P.O. Box 1071 | Poughkeepsie, NY | 12602-1071

hvfcu.org

August 27, 2015

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

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

Dear Mr. Poliquin,

I'm writing on behalf of Hudson Valley Federal Credit Union (HVFCU), which serves members in Dutchess, Ulster, Orange and Putnam counties in New York. We have over $4 billion in assets and over 300,000 members. I am writing to you regarding the National Credit Union Administration's (NCUA) proposed rule amending Part 723. I appreciate NCUA's initiative in this rulemaking to provide meaningful regulatory relief to credit unions and welcome the opportunity to provide comments on this proposal. The credit union industry has long advocated for flexibility in establishing and implementing a member business lending program that is more appropriate for each individual credit union and its membership. While legislative changes to the Federal Credit Union Act are ultimately needed to raise the cap, NCUA's proposal constitutes an important step to achieving the goal of member business lending (MBL) rules.

The elimination of several current prescriptive regulations and moving back to the original intent of the FCU Act are of great importance to our operations. I believe the proposed change to a principle-based rule will allow us to focus on credit administration rather than monitoring the program with ratios that provide little risk control. This will allow HVFCU space to add additional capital to the hands of our small business owners, which employs roughly 75% of the workforce, without costing the tax payers a single dollar as well as improve service to our membership.

I am very grateful that NCUA is also considering adjustments in the MBL calculation. By separating the concepts of MBL for statutory purposes, credit unions will be allowed more flexibility to make sound business loans and the distinction between commercial and MBL will be a huge help in this regard. According to data from the Credit Union National Association for most credit unions there will be a minimal effect to the MBL cap with the increase being approximately 0.1% to 12.35% and for 110 credit unions the average cap increase will only be approximately 0.5% to 12.75%.

In addition, the proposal to eliminate requirements that necessitate obtaining a waiver is a needed improvement that we support. While, this change does not have an immediate impact on HVFCU since we are not approaching the statutory limits, it will help as we continue to grow our MBL portfolio. Also, eliminating the personal guarantee requirement

I also think the proposed rule provides sufficient clarity on policy requirements and while credit union management will bear greater responsibility in establishing and monitoring a viable commercial lending program, the proposed changes will make oversight less burdensome than it is today. In addition, HVFCU already has a credit risk rating system but we will evaluate our current procedures and risk rating system to ensure it meets the requirements of the new rule as necessary.

Given that HVFCU (as well as other credit unions) already has a credit risk rating system in place and all the required procedures, training and staffing requirements, we ask that you consider allowing for early compliance for credit unions that are prepared to comply prior the 18 months proposed.

I do recommend that it will be extremely important that examiners are given the proper tools and training to effectively evaluate credit unions based on the proposed principle-based rule if adopted to ensure consistency from one examination period to another as well as having consistency across the nation.

Thank you very much for the opportunity to comment on this proposed regulation. I applaud the agency's willingness to amend Part 723 to provide much-needed relief for the credit union industry. While I strongly support this proposal, I encourage the agency to address the recommendation outlined above. If I can be a source of any further information on this comment letter, please do not hesitate to contact me at whith@hvfcu.org or by phone at 845.463.3011, option 3, extension 3003.

Sincerely,

Herbert White
VP of Lending
Hudson Valley Federal Credit Union