Florida Credit Union®

August 25, 2015

Gerard S. Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

Subject: Amendments to Member Business Loans (MBL) Rule

Florida Credit Union (FCU) originated its first commercial loan in 2005 and has grown its commercial loan portfolio to over $65 million. In the process, we developed a robust commercial lending program incorporating many if not all of the prudent lending oversight, management, and administration principles addressed in the amended MBL rule. As FCU continues to grow, we believe the amended rule will facilitate our commercial loan growth in the following ways:

- **Loan-to-Value (LTV)**: the revised definition for calculating LTV and the removal of LTV limits will allow FCU to provide more competitive loan terms for our members and provide FCU with other options to mitigate risks associated with different collateral types.

- **Unsecured Loans**: removing the predetermined limits on unsecured loan balances will allow FCU to provide financing to professionals with strong incomes but limited or depreciated collateral value.

- **Personal Guarantees**: having the option to determine the need and amount of personal guarantees will allow FCU to expand lending to larger partnerships with multiple owners who require limited guarantees but provide more than adequate coverage for the loan.

- **Construction & Development Loans**: removing predetermined limits on C&D loan balances will enable FCU to offer construction financing to more businesses at the same time. We anticipate this will keep us from delaying construction projects in order to stay under a restrictive limit.

The above amendments remove restrictive limits and enhance FCU's delivery of commercial lending services to our members. We also believe that the potential increased risks created by removing these limits are mitigated by the amended rule's delineation of responsibilities for credit union boards, senior management, and commercial lending staff.

We only suggest three changes to the amendment and its implementation. First, we are concerned that purchases of nonmember business loan participations will not count against the aggregate MBL cap. This change may allow credit unions with less commercial lending experience to excessively grow their commercial loan portfolio by circumventing the MBL cap and thereby create unnecessary risks to their institutions and harming the entire industry in the process. Second, we suggest that the revised rule mirror supervisory LTV limits defined in FDIC Rules and Regulations Part 365, Subpart A (**attached). We appreciate the flexibility to set our own LTV limits, but NCUA established maximum limits will protect the industry from the acts of imprudent lenders. Third, FCU currently has the systems, staff, and expertise to immediately implement the amended MBL rule. The proposed changes will have a significant positive impact on our ability to meet our member business' lending needs. Once the proposed amendments are finalized, we request approval for immediate implementation.

In summary, we fully support the revised rule as presented with the concerns addressed above. Do not hesitate to contact me if you have any questions.

Respectfully,

Mark Starr
President & CEO
Florida Credit Union

Evan Pitts
SVP Commercial Services
Florida Credit Union

Excerpt from FDIC Rules and Regulations, Part 365 – Real Estate Lending Standards, Subpart A, Appendix A-Interagency Guidelines for Real Estate Lending Policies

Supervisory Loan-to-Value Limits
Institutions should establish their own internal loan-to-value limits for real estate loans. These internal limits should not exceed the following supervisory limits:

Loan category	Loan-to-value limit (percent)
Raw land	65
Land development	75
Construction:	
Commercial, multifamily,[1] and other non-residential	80
1- to 4-family residential	85
Improved property	85
Owner-occupied 1- to 4-family and home equity	[2]

[1]Multifamily construction includes condominiums and cooperatives.
[2]A loan-to-value limit has not been established for permanent mortgage or home equity loans on owner-occupied, 1- to 4-family residential property. However, for any such loan with a loan-to-value ratio that equals or exceeds 90 percent at origination, an institution should require appropriate credit enhancement in the form of either mortgage insurance or readily marketable collateral.

The supervisory loan-to-value limits should be applied to the underlying property that collateralizes the loan. For loans that fund multiple phases of the same real estate project (e.g., a loan for both land development and construction of an office building), the appropriate loan-to-value limit is the limit applicable to the final phase of the project funded by the loan; however, loan disbursements should not exceed actual development or construction outlays. In situations where a loan is fully cross-collateralized by two or more properties or is secured by a collateral pool of two or more properties, the appropriate maximum loan amount under supervisory loan-to-value limits is the sum of the value of each property, less senior liens, multiplied by the appropriate loan-to-value limit for each property. To ensure that collateral margins remain within the supervisory limits, lenders should redetermine conformity whenever collateral substitutions are made to the collateral pool.

In establishing internal loan-to-value limits, each lender is expected to carefully consider the institution-specific and market factors listed under "Loan Portfolio Management Considerations," as well as any other relevant factors, such as the particular subcategory or type of loan. For any subcategory of loans that exhibits greater credit risk than the overall category, a lender should consider the establishment of an internal loan-to-value limit for that subcategory that is lower than the limit for the overall category.

The loan-to-value ratio is only one of several pertinent credit factors to be considered when underwriting a real estate loan. Other credit factors to be taken into account are highlighted in the "Underwriting Standards" section above. Because of these other factors, the establishment of these supervisory limits should not be interpreted to mean that loans at these levels will automatically be considered sound.