



P.O. Box 77002
Springfield, OR 97475-0146
Eugene: 541.687.2347
Salem: 503.588.2347
Portland: 503.295.2347
Out of Area: 800.365.1111
OregonCommunityCU.org

August 31, 2015

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration ("NCUA")
1775 Duke Street
Alexandria, VA 22314-3428
regcomments@ncua.gov

RE: Comments on Proposed Rule Amendments: MBL – Member Business Loans

Mr. Poliquin:

Oregon Community Credit Union ("OCCU") respectfully submits the following response to the NCUA's proposed amendments to Part 723 of its regulations regarding Member Business Loans ("MBL" or "proposed amendments"). We are pleased that the NCUA has recognized the required fluidity and risk-managed expertise and skills sets associated with Member business lending and have thus worked to remove many of the artificial and bright-line rule barriers for those Credit Unions demonstrating such competency in this important service area for our Members.

We feel strongly that Credit Unions are uniquely able and willing to serve that component of the business lending market that the larger banks are unwilling to serve – very small and small market businesses. Our inherent consumer, Member-focused model positions Credit Unions in a unique position to transition those services and skill sets to those consumers opening and operating very small and small businesses. We encourage the NCUA to further work to place us in an even stronger position to serve these segments by considering additional beneficial changes to Part 723 as described below.

OCCU offers the following in response to the proposed amendments:

- 1) We appreciate the material improvement in and/or elimination of restrictive barriers to Member business lending in several key areas:

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- (a) Elimination of specific-bright line rule credit and underwriting requirements and the associated exception waiver requirements thereof, specifically elimination of the personal guarantee requirement and its burdensome waiver requirement;
 - (b) Re-positioning of the MBL cap as a multiple of net worth up to the “Well Capitalized” standard from the current 12.25% of assets benchmark;
 - (c) New definition of “commercial” loan for purposes of distinguishing those credits from MBLs and the Part 723 requirements thereof;
 - (d) Allowing state regulators maximum flexibility in overseeing state-chartered Credit Unions with respect to their MBL programs;
 - (e) Elimination of the arbitrary two-year experience-level requirement for MBL underwriting staff;
 - (f) Development of a small Credit Union exemption to Part 723 requirements;
 - (g) Heightened expectations with respect to senior management and board of directors (“board”) understanding and appreciation of MBL risks; and
 - (h) Exclusion of non-Member loan participation purchases from the Part 723 requirements.
- 2) We also respectfully request NCUA consideration of and continued refinement and improvement to the proposed amendments in order to allow Credit Unions even stronger positioning of their MBL programs while simultaneously ensuring continued safety and soundness as these MBL portfolios continue to grow. Those suggested considerations and refinements include:
- (a) Consider implementing robust examiner training, supervision and performance monitoring in recognition of the specific discipline skills sets associated with business lending; this should include state examiners for those state-chartered Credit Unions engaging in MBL activity;
 - (b) Engage in early and *transparent* development of supervisory and examiner guidance with respect to this type of lending and application of Part 723

during the examination process as loosening of prescriptive requirements can, if not checked, result in inconsistent examiner judgment and, ultimately, disparate examination results amongst Credit Unions;

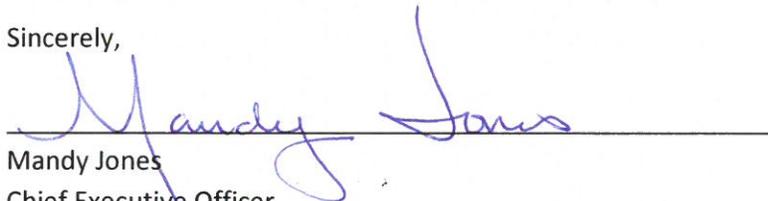
- (c) Consider early and *transparent* establishing and publishing of detailed minimum policy and safety and soundness requirements to be applied by Credit Unions in an effort to proactively meet expectations for an NCUA-approved MBL program as opposed to developing and understanding those expectations *during* the examination process;
- (d) Notwithstanding 1(g) above, re-consider the proposed heightened *responsibilities* of a Credit Union's board vis a vis oversight of its MBL portfolio and whether sufficient collective expertise and competency can be expected at the volunteer board level for all Credit Unions;
- (e) Consider the proposed risk-based capital ("RBC") requirements' impact on the proposed 1.75x net worth cap and its "Well Capitalized" component as recognition of the currently proposed 10% "Well Capitalized" RBC cap could substantively change the actual cap under some circumstances as opposed to the currently proposed definitional-only change;
- (f) Also with respect to the MBL cap at 1.75x net worth, clearly define the statutorily allowed exceptions to this cap for Credit Unions chartered for the *purpose* of business lending or those having a history of making *primarily* business loans so that applicable Credit Unions might dispense with the cap, which is presumably intended to mitigate risks posed by those less experienced Credit Unions engaging in MBL activity;
- (g) Consider broadening the small Credit Union de minimis exception by removing the \$250MM asset cap and instead relying only on the 15% of net worth cap to better define de minimis by relative engagement in MBL lending activity versus asset size;
- (h) To better ensure the safety and soundness of escalating MBL portfolios as well as reduce the risk of inconsistent examiner scrutiny, consider augmenting elimination of the personal guarantee and waiver requirement noted in 1(a) above with expectations that Credit Unions develop polices

specifying under what conditions a personal guarantee should and will be required as part of the MBL underwriting process;

- (i) Consider reduction of the currently proposed 18-month implementation of the proposed amendments or, alternatively, allow phase in of the new requirements for those Credit Unions already prepared to do so;
- (j) Consider whether Credit Unions should be allowed to take a conservative approach to common enterprise and control determinations and count any borrower who has a joint interest with another borrower or entity as an associate borrower as opposed to the currently proposed prescriptive thresholds for these assessments;
- (k) Notwithstanding 1(d) above, consider requiring state-chartered Credit Unions to establish loan to value limits in line with applicable state limits where so established;
- (l) Notwithstanding 1(h) above, given the general nature of non-Member participation loans being outside of the purchasing Credit Union's footprint, consider implementing some form of cap of this volume given the lack of geographic and other expertise associated with these portfolios when compared to those in footprint MBLs that are indeed subject to cap; and
- (m) Consider further amendments to exclude the Federal Credit Union Act prohibition against prepayment penalties as MBLs are more expensive to originate and service and early payoff thereof can result in non-profitable originations of these credits, potentially discouraging their origination.

Mr. Poliquin, we appreciate the opportunity to be heard on this matter important to our industry and thank you for your continued efforts to support the work we do each day serving our Members.

Sincerely,



Mandy Jones
Chief Executive Officer

Oregon Community Credit Union