Dover Federal
CREDIT UNION
1075 Silver Lake Blvd., Dover, DE 19904

August 28, 2015

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Re: Comments on Notice of Proposed Rulemaking for Part 723, Member Business Loans - RIN 3133–AE37

Dear Mr. Poliquin:

Thank you for the opportunity to provide comments on this proposed regulatory change.

This proposal removes barriers to credit union small business lending and enables credit unions to better meet the lending needs of their small business members. The proposed MBL rule overhauls NCUA's current MBL regulation in Part 723 by shifting from a rigid regulation that contains many detailed requirements to a principles-based regulation that gives credit unions more options, and risk management responsibilities, in the operation of an MBL or commercial lending program. This change will permit credit unions to determine the program that best fits their members' needs. Removing many of the specific requirements that currently require waivers, including the personal guarantee requirement, and easing unnecessary and/or arbitrary limits on construction and development (C&D) loans will allow credit unions to better serve their members and communities.

However, removal of the above mentioned barriers creates concerns. It will be necessary for NCUA to issue guidance that specifies the parameters of a safe and sound commercial lending program and other requirements that are not part of the proposed rule. This guidance will augment the sound business practices currently employed at Dover Federal Credit Union in the management of the MBL portfolio. It would be beneficial if this guidance was issued with a comment period to learn the perspective of the nation's credit unions.

The proposed MBL is creating added management responsibility that some credit unions may not want or be able to assume. Again, NCUA's issuance of guidance would ensure that credit unions will know

the minimum acceptable level requirements, which would enable credit unions to develop the MBL program that best fits their risk appetite and management capabilities.

The guidance issued by NCUA should also be used to develop the training program for the examiners. It will be critical for the exam process to be consistent to protect credit unions from differing examiner opinions in successive exam years. Inconsistency in the review process will serve to significantly weaken a credit unions MBL program, hindering member and community service. In addition, constant change will increase the management requirements on credit unions, and possibly divert attention from true critical risk areas to other immaterial issues.

In theory, I support the proposal to change the method of expressing the MBL as 1.75 times the amount of net worth up to the amount of net worth required to be well capitalized, as required by the FCUA. However, it is difficult to comment further on this change as the proposed Risk-Based Capital (RBC) rule has not been finalized. Contrary to other comments that have been made on this change, this method of expression does not significantly increase the amount of business loans a credit union can hold. If the current version of NCUA's proposed Risk-Based Capital (RBC) rule is adopted, the amount of capital required to be well capitalized will be the greater of 7% of total assets or 10% of risk assets. The vast majority of credit unions, under the RBC proposal, have risk assets at less than 70% of total assets, so that the 7% of total assets requirement would exceed 10% of risk assets. For all of these credit unions, the calculated cap would remain 12.25% of assets (1.75 x 7%).

It is commendable that NCUA wants to exempt a small credit union from the risk management policy and infrastructure requirements if the credit union has both assets less than $250 million and total commercial loans less than 15% of net worth. However, the asset size threshold is unnecessary and not a good proxy for determining the risk of a credit union with a de minimis number in amount and size of commercial loans. In fact, this exemption should be open to all credit unions.

Loans secured by a 1- to 4- family residential property are not commercial loans for purposes of the proposed rule. This change helps to create some parity with the banking industry. Also, by excluding these loans from the definition of commercial loan credit unions will be able to grant these loans and will not be required to have a commercial lending policy and additional board responsibilities. However, legislative changes are still needed to remove this loan type from the MBL classification.

Thank you for the opportunity to express my views. If you have any questions about these comments, please do not hesitate to contact me.

Sincerely,

Amy E. Reville
Senior Credit Analyst, Business Services