

**From:** [Brandon Riechers](#)  
**To:** [Regulatory Comments](#)  
**Subject:** Comments on Proposed Rulemaking for Part 723  
**Date:** Monday, August 31, 2015 4:10:08 PM

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Dear Secretary of the Board Poliquin,

August 28, 2015

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

CC: CUNA, WCUL

Regarding: Comments on Proposed Rulemaking for Part 723; RIN 3133-AE37

I am writing on behalf of Royal Credit Union, which serves Northwestern Wisconsin and Eastern Minnesota. We have over 160,000 Members and \$1.5 billion in assets along with a significant subset of Business Members which includes over \$600 million in business loans. Royal appreciates the opportunity to provide comments on the proposed amendments to the member business lending (MBL) regulation. We support NCUA's efforts to modernize the MBL regulation in an attempt to give added flexibility in running an MBL program.

Royal Credit Union is supportive of the move away from prescriptive management by the NCUA to a more principled approach to sound tenets of safety and soundness through effective risk management practices. This should foster the development of better, yet more flexible commercial lending.

The changes to the experience requirements are worthwhile, as it allows for more knowledge and expertise to flow into the credit union space. With the potential for commercial loan growth, it makes more sense for CU's to make critical investments to acquire the knowledge, expertise, systems, and ongoing training.

At Royal, we are well positioned to comply with the proposed rule with our current policies, procedures and risk rating system. However, the training and development of examiners to gain necessary experience and provide proper oversight will require extensive guidance for compliance with the amended rules. Because this guidance to examiners is not released as part of this rule, we are unable to offer an opinion on the effectiveness of the process to create clear guidance. Because of this, we would request the guidance be vetted to the credit union industry for review and comments prior to distribution in an effort to enhance the clarity and consistency. Of particular concern is that these changes may give considerable latitude to determine whether a credit union's commercial lending policies and procedures are adequate, which creates the potential for increased subjectivity and inconsistency.

While the distinction between commercial loans and member business loans has good intentions, it adds an unnecessary layer of complexity to the tracking and monitoring of these loan types on the 5300 call report. It would be redundant to have both a commercial and MBL policy. Regardless of how we are required to define or report these loans, we apply the same policies and procedures that address the safety and soundness to each specific type of loan.

We question the value of nonmember participations purchased and sold not being counted against the cap. By eliminating many of the experience requirements AND not counting these against the cap, it would seem the NCUA is taking unnecessary risks by allowing the potential for credit unions relying solely on the originating credit union's experience and not the risk tolerance of the purchasing credit union.

Modification of State MBL Laws

Under Part 723.20 of the current MBL Regulation, the NCUA has approved member business lending rules passed in seven states, including Wisconsin. The NCUA has asked for comments on how to deal with those state regulations in light of these proposed amendments. We believe that Wisconsin and the other states should have the opportunity to make conforming amendments to state MBL regulations and resubmit them to NCUA for updated approval (Option B in the NCUA's proposal). Should there be any significant alteration to existing state regulations, we would request an additional comment period specific to the changes to current approved state rules.

Again, we support the NCUA's efforts to modernize the MBL rule. Thank you for the opportunity to comment on this proposed rule and for considering our views.

Regards,

Brandon Riechers  
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Sincerely,

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