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August 31, 2015

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

**RE: Member Business Loans; Commercial Lending NCUA proposed rule for 12 CFR Part 723**

Dear Mr. Poliquin,

I am writing in support of the proposal to change the Member Business Lending regulations. I appreciate the opportunity to do so and look forward to meaningful changes in this rule as proposed and before us for comment. Any changes resulting in a way to serve our membership better is always welcome.

Citizens Community Credit Union is a 75 year old credit union with 11 branches and nearly 11,000 members. We have been involved in business lending the entire time of our existence focusing historically on agricultural lending. My experience with CCCU spans nearly 35 years and I have been involved in regulatory changes from little regulation in the area of business lending to extreme regulation in this area. This credit union has proven its value to our community during the extremely difficult times of the late 1970s/early 1980s by supporting our farmers even in those difficult times. It is well known in the community that many of the family farms in this area would not be here today without the help of Citizens Community Credit Union.

The current proposal will help in many ways to level the playing field for credit unions with other smaller community lenders. It will focus on safety and soundness rather than prescribed rules for areas of potential violation when there is little to no value of the rule for safety and soundness concerns. Therefore, I commend NCUA on the proposed changes, allowing for less potential for punitive results allowing the officials of the credit union to decide how best to safely serve its membership.

The reduction in a requirement to obtain waivers is especially important and I believe that this proposal has it right. We have had the sad experience of losing business numerous times due to the requirement to obtain a personal guarantee when competitive creditors do not require it. We have had the unfortunate situation where examiners have taken this requirement to the extent that individual Tribal Members' guarantee was needed to grant a business loan which is obviously impossible as was a waiver request. The same can be said for all of the other areas that require a waiver when business policies should address these issues at the safety and soundness level of concern.

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The use of a credit risk rating system has been in place for CCCU since the early 1990s and has proven to be a good indication of credit quality and a way to improve the loan structure as well as manage and price most credits. Requiring a credit union to establish a risk rating system is a good way to promote safety and soundness rather than the use of prescriptive rule making.

In my opinion, the proposed rule does little, if anything to expand commercial lending for credit unions. It has more to do with allowing officials and management the opportunity to make local decisions that better serve it members and community. This alone should be applauded by everyone who cares about their community. This rule does not expand the amount of commercial loans a credit union can hold as the cap will generally remain at 12.25% of capital for nearly all credit unions just as it is now. Additionally, due to the fact that there is less focus on prescribed rules, I see this change as actually placing even more responsibility on the officials of the credit union to evaluate its standing with business lending and focus even more on safety and soundness concerns.

One major concern that I have with changing from a prescriptive mode of regulation to one of a more open environment for credit unions to set their own policy, is the hope that examiners will be trained to evaluate activities with more of a safety and soundness approach rather than a simple checklist approach. Consistent training is definitely required and, as a state chartered credit union, I would recommend that state examiners be included by NCUA in this process to avoid several potential and serious conflicts. Of great concern to credit union management is the tendency for examiners to be ultra conservative when anything subjective is being evaluated.

It appears that there will be a lengthy 18 month time frame before the rule becomes effective. This is an extremely long period of time to wait for those credit unions that have the experience in the area of commercial lending and for which the rule would have little effect other than allow them to better meet member demand and serve them better. If portions of this rule could be effective immediately, of most importance would be the changes with waivers and the removal of explicit LTV rules. The changes in this rule are way past due and will serve to modernize the rules in commercial lending. I would encourage NCUA adopt an earlier schedule than 18 months for full implementation.

I would appreciate consideration to addressing two items that are not addressed in the proposal. First, examiner findings have continually sited CCCU for violation of 723.1 (4) regarding loan guarantees by a Federal or State agency. Very few agencies guarantee 100% of a debt. More normally the guarantee is 75% or higher. These loans should be exempt from the MBL definition as it would appear that the government has mitigated a majority of credit risk.

Additionally, section 723.4 (b) and (c) allow for SBA program requirements regarding collateral and security be less stringent if the result is part of an SBA program. CCCU has provided its members



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numerous Farm Service Agency guaranteed credit for many years. The FSA guarantee program should be included in this section along with SBA programs.

I would like to say that I appreciate the opportunity to provide my comments on this critical piece of proposed legislation. Business lending has been and continues to be a very important service for CCCU. We appreciate the efforts of NCUA to modernize the rules and we look forward to a faster implantation schedule.

Sincerely,

Darwin R. Brokke  
President

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