



**Joseph F. Barbato, Jr.**  
**President and Chief Executive Officer**

August 31, 2015

Mr. Gerard Poliquin  
Secretary to the NCUA Board  
1775 Duke Street  
Alexandria, VA 22314

Re: Comment Letter to the Proposed Amendments to NCUA's MBL Rule

Dear Mr. Poliquin:

On behalf of the Millbury Federal Credit Union Board of Directors, we appreciate the opportunity to express our views on the recent proposal by the NCUA Board addressing the Member Business Lending (MBL) rules of the National Credit Union Administration in Section 723.

In general we support the proposal to remove the current regulatory underwriting criteria requiring personal guarantees. Our credit union has the risk management and underwriting ability to effectively analyze the need for a personal guarantee. (We will continue to require one in the vast majority of cases). This will enable our credit union to be more competitive in our market area. While this would eliminate the current waiver process, NCUA oversight can still focus on examining the credit union's development and implementation of sound policies and obtaining experienced management or outside resources to execute those policies.

Specifically we favor the removal or modification the following limits and definitions:

- The requirement for a personal guarantee
- The 80 percent limit on Loan-to-Value ratios
- The limit on unsecured MBLs
- The requirement that staff have 2 years of direct experience
- The restrictive definition of "associated borrower"
- The 15 percent of net worth limit on loans to one borrower, which will now increase to 25 percent if the additional 10 percent is supported by readily marketable collateral

We believe that credit union policy should dictate a limit on construction and development loans due to the overall inherent risk and experience necessary to manage the development process. A limit on Loan-to-Value

ratio is still appropriate for these types of loans in that the construction loan should not result in carrying the interest cost during this phase.

With respect to Section 723.7 (c) – Conflict of Interest, we feel that this section prevents a third party that is providing business loan advice to a credit union from receiving compensation contingent upon closing of a loan. Some financial institutions charge an application fee but whether they do or not, the bulk of their fee is typically earned only if the loan closes. The condition of the loan closing is not improper as long as it does not create a potential conflict of interest. While we understand the concern of NCUA as to some third parties that provide advice to credit unions, we respectfully disagree that our CUSO poses the same conflict. We recommend that the rule be clarified to exempt from the prohibition engagements between credit unions and the CUSOs that are owned by those credit unions for origination support irrespective of the timing or methodology of payment. This improves the understanding that the issue is with borrower paid loan finders, brokers, etc. and not with regularly contracted CUSOs that support their credit unions with more than just the underwriting elements of a loan.

MCU wholly owns its Member Business Loan CUSO, MCUCS in order to better manage the process and offer it to other credit unions. We do not believe that the conflict of interest exists as stated in the proposed rule.

On behalf of The Millbury Federal Credit Union we thank the NCUA Board again for the opportunity to comment on this proposed regulatory change.

Sincerely,



Joseph F. Barbato  
President and CEO

JFB/sep