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August 28, 2015

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

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

Dear Mr. Poliquin:

On behalf of Campus Federal Credit Union ("Campus Federal"), we are writing to you regarding the NCUA's proposed rule amending Part 723. We appreciate the NCUA's initiative in this rulemaking which will provide regulatory relief to credit unions and benefit our members.

The proposed amendment changes discussed below will impact Campus Federal the most. These amendments will make Campus Federal better able to meet the borrowing needs of our membership and increase the financial health of the credit union.

**Maximum aggregate unsecured MBL loan limit / Loan-to-Value (LTV) Requirements**

By eliminating the unsecured MBL loan limit and allowing credit unions to govern their own LTV requirements, Campus Federal would be more competitive in the markets we serve. The amendments will single handedly reduce the number of existing business members we lose to other financial institutions.

- **Membership Growth to Niche Member Base**:

  With the proposed rule, Campus Federal will be able to serve more of its niche member base of young healthcare professionals. It is critical for Campus Federal to meet the business financing needs of these young professionals in the early stages of their careers. Once these young professionals establish a relationship with other financial institutions, it becomes very difficult to compete for their deposits, merchant services and personal home and auto loans. Currently, in order to make a secured loan to any healthcare professional, a LTV of 80% or less must be achieved. Rarely do healthcare professionals show any significant collateral to pledge on their balance sheets. There is often substantial market value in the assets of the business (i.e. equipment), but they typically take advantage of accelerated depreciation methods allowed under the United States Internal Revenue Code, yielding little if any book value. Requiring appraisals on these types of assets also puts Campus Federal at a competitive disadvantage, as other financial institutions in our market do not require them. It is also unlikely that these young professionals will have significant equity in their home or other assets to pledge. As a result, loan requests from our niche member base are usually considered unsecured. With the existing unsecured loan limits, we are not able to serve the needs of our niche member base.

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Moreover, the current LTV requirements on commercial owner-occupied construction loans, has put us at a competitive disadvantage. Not only do we lose out on the construction portion of the request, but the majority of the time we lose out on the permanent financing as well. In most cases, we lose the entire business relationship if we cannot provide the construction financing. Other financial institutions traditionally require lower equity injections into construction projects and the LTV issue is the main reason we are losing out on these profitable loans and relationships to our niche member base.

As reflected in the chart below, businesses in the healthcare industry are much more likely to survive than businesses in the economy overall. It should be noted that after 20 years, businesses in the healthcare industry were 25.3% more likely to survive than businesses overall, according to the Bureau of Labor Statistics data. While the chart only examines businesses started in the 12 months ending 3/31/2004, Bureau of Labor Statistics data also indicates that historical survival rates are minimally affected by the business birth year.

| From 3/31/2004 to 3/31: | Healthcare Business Survival Rate | Overall Business Survival Rate |
|---|---|---|
| 2004 | 100.0% | 100.0% |
| 2005 | 80.8% | 78.9% |
| 2006 | 73.3% | 69.1% |
| 2007 | 66.0% | 61.2% |
| 2008 | 60.3% | 54.5% |
| 2009 | 56.9% | 48.4% |
| 2010 | 52.3% | 43.7% |
| 2011 | 48.2% | 40.5% |
| 2012 | 47.7% | 38.2% |
| 2013 | 46.3% | 36.1% |
| 2014 | 42.6% | 34.0% |

*Source: Bureau of Labor Statistics, Business Employment Dynamics.*

Campus Federal wants to continue to concentrate on our niche market. Being able to compete based on LTV requirements will allow us to grow and retain the higher net worth members which in turn will only positively impact us.

Campus Federal very much appreciates the opportunity to comment on this proposed regulation. We believe these amendments will provide relief to credit unions as well as enable positive business loan growth which will sustain the credit union movement. Feel free to contact us for any clarification or further discussion on any of these important items.

Jay Noel

Jay Noel
Chief Lending Officer

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