



STATE OF CONNECTICUT  
DEPARTMENT OF BANKING  
FINANCIAL INSTITUTIONS DIVISION  
260 CONSTITUTION PLAZA – HARTFORD, CT 06103



August 31, 2015

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

Via e-mail to: [regcomments@ncua.gov](mailto:regcomments@ncua.gov)

**RE: Connecticut Department of Banking - comments on Proposed Rulemaking for Part 723 (Member Business Lending)**

Dear Mr. Poliquin:

The State of Connecticut Department of Banking (“CTDOB”) appreciates the opportunity to provide comment on the National Credit Union Administration’s (“NCUA”) proposed rule (“Proposed Rule”) regarding changes to 12 CFR Part 723, Member Business Loans (“MBLs”) which was published in Volume 80, No. 126 of the Federal Register on July 1, 2015. NCUA’s proposed rule replaces the current “prescriptive” and waiver-based regulation with a “principle” based regulation that relies on the supervisory process to regulate a credit union’s MBL program. We support NCUA’s efforts to modernize its MBL rule and provide credit unions with greater flexibility to serve their member businesses. As a member of the National Association of State Credit Union Supervisors (“NASCUS”), the CTDOB supports the comments submitted by NASCUS and would highlight the following comments regarding (1) state specific MBL rules; (2) proposed MBL guidance; and (3) proposed exemptions.

As one of the seven states with a state specific MBL Rule, we recommend NCUA amend language in Section 723.20(a) of the proposed rule to provide for the ability of a State to maintain, repeal or amend its state specific MBL rule. We strongly encourage NCUA to allow other states to also implement state specific MBL rules, if they so chose. Providing for state specific MBL rules for Federally Insured State Chartered Credit Unions (“FISCUs”) would

ensure a single regulatory framework of statutes which are familiar, convenient, and would serve the added benefit of reducing regulatory burden.

NCUA's proposed "principle" based MBL rule is a significant change. Most specifically, credit unions would now be required to interpret and rely on supervisory guidance which has not even been crafted to date. We encourage NCUA to coordinate with state credit union regulators in creating the supervisory guidance, as many state credit union regulators also have supervisory responsibility for state chartered banks, and thereby possess considerable experience with commercial lending, including commercial real estate and other specialty lending areas.

NCUA's proposed 18 month implementation delay of the final MBL rule, however, is a prudent approach. We recommend that the final MBL rule release coincide with the release of the proposed new supervisory guidance so the industry and regulators are allotted the necessary time to study the rule *and* guidance to ensure each MBL program is thoughtfully structured to mitigate risk.

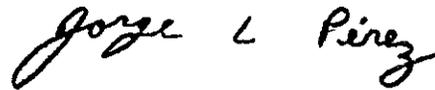
Section 723.8 proposes an exemption from the statutory cap on MBLs for non-member participation interest in a commercial loan made by another lender, provided the federally insured credit union acquired the non-member loans and participation interest in compliance with relevant laws and regulations. It is not clear why such an exemption would be appropriate given that the credit union would none the less acquire and assume the risk associated with the acquisition of that particular participation interest. Loan participations provide opportunities for risk diversification; however, the acquiring credit union has the responsibility to ensure the credit union's board established risk appetite and underwriting standards are fully followed.

The proposed MBL rule provides for an exemption of Section 723.3 and 723.4 related to Board responsibility and establishment of a commercial loan policy for credit unions under \$250 million in assets. Commercial and commercial real estate lending, and effectively member business lending, has an elevated risk component requiring the necessary expertise and skill to underwrite, process and manage said lending portfolios. The proposed rule should require any credit union, regardless of its asset size, that elects to engage in MBL and commercial lending activities to have appropriate written policies and procedures. Rather than an exemption based on the size of an institution, the MBL rule should require the credit union establish an MBL policy and procedures commensurate with the size and complexity of the lending activities undertaken, and that the credit union establish and maintain a strong infrastructure and sound risk management policies to govern the activities.

Promoting business lending is paramount in any state, and on the federal landscape. It is in everyone's best interest to ensure the credit union engaging in such lending has constructed a strong risk management program which promotes lending and growth within a framework that measures, monitors and controls associated risks.

We appreciate the opportunity to comment on the NCUA's Proposed Rule regarding Member Business Lending.

Very truly yours,

A handwritten signature in black ink that reads "Jorge L. Perez". The signature is written in a cursive style with a large, stylized 'J' and 'P'.

JORGE L. PEREZ  
BANKING COMMISSIONER

Cc: The Honorable Debbi Matz, NCUA Chairman  
The Honorable Rick Metsger, NCUA Board Member  
The Honorable J. Mark McWatters, NCUA Board Member  
The Honorable Richard Blumenthal  
The Honorable Christopher Murphy  
The Honorable John Larson  
The Honorable Joe Courtney  
The Honorable Rosa DeLauro  
The Honorable Jim Himes  
The Honorable Elizabeth Esty  
The Honorable Gary Winfield  
The Honorable Matthew Lesser  
The Honorable Henri Martin  
The Honorable Bill Simanski  
Lucy Ito, President/CEO NASCUS