



IDAHO CREDIT UNION LEAGUE  
AND AFFILIATES

August 31, 2015

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

Re: Comments on Notice of Proposed Rulemaking for Part 723,  
Member Business Loans – RIN 3133- AE37

Dear Mr. Poliquin:

On behalf of our member credit unions, the Idaho Credit Union League (ICUL) is pleased to comment upon the National Credit Union Administration (NCUA) Board's proposed changes to its member business lending (MBL) rule. Credit unions in Idaho have a long history of helping members and communities through loans to family-run restaurants, church congregations, and farm families, to mention just a few borrowers. The Board's proposal in large measure will strengthen our member credit unions' ability to help these commercial and not-for-profit endeavors as they, in turn, seek to grow and thrive. We, therefore, applaud the Board's efforts to remove barriers to small business lending.

The Board's proposal would change the nature of the MBL rule from its current prescriptive focus (rules-based) to one focused on principles. This principles-based focus will provide much needed flexibility for credit unions and enable them to more efficiently meet the borrowing needs of their members by leveraging well-run business lending programs without the constraints imposed by required waivers, personal guarantees and baseless limits on loan types. We support these changes to the rule.

The ICUL also supports the expression of the MBL cap not as a percentage, but rather as a multiple of the net worth requirement to be categorized as a well-capitalized credit union. This expression of the cap more faithfully reflects statutory constraints in the Federal Credit Union Act. Additionally, we support the proposed exemption from §723.3 and §723.4 for credit unions with both assets less than \$250 million and total commercial loans less than 15 percent of net worth which are not regularly originating and selling or participating out commercial loans. However, we believe that this exception should be afforded to all credit unions, regardless of asset size.

Further, we generally support the proposed changes to the MBL definitions, and particularly the introduction of the "commercial loan" definition to distinguish between business loans broadly and those covered by the MBL definition, and described in the Federal Credit Union Act.

The Board has requested comment on future state regulation of business lending. The ICUL supports provisions in the final rule that provide states with maximum flexibility in maintaining existing state regulatory schemes. We recommend the Board adopt "Option C".

While the ICUL supports the Board's proposal in the foregoing mentioned provisions, we are concerned about others.

In transitioning from a rules-based approach to a principles-based approach to the MBL rule, the prior regulatory restraints in the rule will be transformed into supervisory guidance that will be issued in conjunction with the final rule. While we support the move to a principles-based rule, we are concerned that credit unions will not have an opportunity to comment on the standards contained in the guidance – the criteria examiners will use when reviewing the new commercial lending programs and policies. We strongly urge NCUA to issue the guidance for comment in order to ensure the successful implementation of the rule and the success of commercial lending programs. Additionally, we urge that the supervisory guidance reflect the proposed rule's focus on principles and contain only the minimum acceptable elements of safe and sound commercial lending programs.

### **Examination**

Given that the proposed rule removes the prescriptive focus of the MBL rule and replaces it with principles and supervisory guidance, the role of the examiner will take on greater importance in the examination process. The ICUL is therefore concerned about examiner training and the work of inexperienced examiners as both could pose significant challenges for credit unions and their boards. It will be critical for examiners to receive the training not only necessary to ensure safety and soundness, but also to ensure that guidance and best practices do not undermine the ability of credit unions to develop and implement flexible policies that meet the borrowing needs of their members. Similarly, effective training will be necessary for state examiners, and we urge close coordination between NCUA and state regulators. Ensuring the consistent application of the final rule by examiners will also be important.

### **Implementation**

Our members support the 18-month implementation period for the proposed rule, as it will take time for management and boards to draft and implement the new policies and procedures. However, if a credit union completes the implementation process early, we urge NCUA to allow it to comply at an earlier date.

### **Cost**

NCUA has estimated that it will cost the agency \$1.9 million to implement the new rule, most of which will be one-time expenses for examiner training. We urge NCUA to cover these expenses through existing resources, perhaps through reallocation, rather than by increasing the budget.

We appreciate the opportunity to comment on the Board's MBL proposal and support its overall effort to move from a prescriptive approach to a principles-based approach. If you have any questions about our comments, please do not hesitate to contact me.

Sincerely,



Kathy N. Thomson, CCUE, CLE  
President/CEO