AMERICA'S CHRISTIAN
CREDIT UNION

August 31, 2015

National Credit Union Administration
Mr. Gerard Poliquin, Secretary of the Board
1775 Duke Street
Alexandria, VA 22314-3428

RE: Comments on Proposed Rule: Risk Based Capital (RBC2)

Dear Mr. Poliquin:

On behalf of America's Christian Credit Union, I appreciate the opportunity to provide our credit union's thoughts on the proposed member business loan rule. Our views express some of our concerns about the potential impact to our credit union and the credit union industry at large.

We are a credit union that is 57 years old and currently serve over 60,000 members nationwide. We have assets of over $300 million with an additional $165 million in off balance sheet faith-based loans which we have the opportunity to service participating credit unions. Our credit union exists to provide *ALL* of our members with the very finest of financial services and products including both consumer and business services that are specifically geared toward churches. We have a long history with our consumer relationships and continue to see exceptional growth in this sector, especially in the area of providing adoption loan financing for parents looking to expand their family. In our business loan area, we offer our churches the full "banking" experience with checking, savings, and assorted financial services that will help their church thrive. We have been making church loans for over 20 years, and have church loans in 46 states. We have found this sector of our business to be not only missional, but very productive for the success and value of our credit union. It clearly reflects the longstanding mission of the credit union cooperative movement of . . . *"people helping people"*.

I have been with ACCU for 38 years; 29 of those years serving as President/CEO, and have seen the most significant swings in our economy during those times. I experienced the economy when the Prime Rate was at 21% and clearly have experienced the economy during these last several years when it was at its very worst. Again, I am pleased to share that despite the onslaught of regulations and the fragile economy, our credit union continues to be in very excellent financial shape and is a well-capitalized credit union.

We appreciate the NCUA's efforts to modernize the current member business rule and initiate important changes that will allow our industry to be more competitive.

- I agree with your proposed shift from a prescriptive rule to a principle-based rule, but we have several concerns on how this will be implemented and interpreted at the local level.

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With a prescriptive rule, there are clear and universally accepted limits and requirements related to business lending activity. My concern is that as we shift to a principle-based rule, supervisory guidance will be used as final rule. Supervisory Guidance is not equivalent to a final rule and has not endured a comment period or the same level of scrutiny that final rules do.

Although we appreciate and applaud the NCUA for incorporating a principle-based rule that will provide us with more flexibility and judgement in our lending decisions, we would appreciate further detail on how a principle-based rule would be implemented and enforced. In addition, we would appreciate greater detail on the appeals process if a conflict arises between supervisory guidance verses the credit union's lending policy.

The proposed shift to a principle-based rule will require a significant investment in examiner training and education. As mentioned above, ACCU has been granting member business loans for over 20 years. Throughout that time, we have seen a significant improvement in the expertise, knowledge and skill of the local exam teams that we have encountered. However, the proposed rule will provide the examiner with greater flexibility and authority to interpret rules and provide supervisory guidance at his or her discretion. My concern is that as examiners use supervisory guidance as a substitute for rule, the tremendous benefits of a principle-based rule will be eliminated.

- I agree and applaud your efforts to eliminate the personal guarantee requirement from the member business lending rule. In general, this allows credit unions to be more competitive and on par with other lending institutions. ACCU has always viewed personal guarantees as an additional tool to strengthen the credit proposal and this will not change.

- I agree with your decision to remove the requirement for staff to have 2 years of specific experience as this has always been an arbitrary guideline. ACCU has been intentional about hiring experienced and seasoned lending professionals from a variety of backgrounds and this will continue. Generally, they have not had extensive experience in non-profit/faith-based lending but they have applied their years of experience and expertise to improve the processes, procedures, and overall strength of our lending operation.

- America's Christian CU regularly uses loan participations as a tool to manage risk, liquidity, and balance sheet requirements. Removing the waiver requirement and excluding nonmember business loan participations from the MBL classification is a positive step and will provide credit unions with greater capacity and flexibility to service members and manage the various components of their balance sheet including risk, liquidity, and overall diversification.

- While I appreciate the need to differentiate the classifications of MBL's and Commercial Loans, the definitions listed do not provide the level of clarity that is needed for accurate

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call reporting. At a minimum, the table provided (on page 56) in the proposed rule should be included in the final version. Additional detail or guidance on these definitions and classifications would be appreciated.

Although we fully support and appreciate the NCUA's efforts to modernize and revise the current MBL regulation, we remain concerned that the principle-based rule will rely too heavily on supervisor guidance. The formation and interpretation of this guidance will be done largely without input from the industry. My concern is that if the understanding, interpretation, and, ultimately, enforcement of the final rule is not consistent, the advantages that credit unions gain from a principle-based rule will be significantly reduced if not eliminated. We are hopeful the NCUA's commitment to hire, train, and develop examiners with commercial lending expertise will assist in the success of this proposed rule.

Thank you for the opportunity to comment on this proposed regulation.

Sincerely,

Mendell L. Thompson
President/CEO




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