

**From:** [Steve Gilman](#)  
**To:** [Regulatory Comments](#)  
**Subject:** Steve Gilman - Comments on Proposed Rulemaking for Part 723 (Member Business Lending)  
**Date:** Monday, August 31, 2015 3:21:41 PM

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Dear Mr. Poliquin,

Thank you for the opportunity to comment on NCUA's proposed changes to Part 723, Member Business Lending.

I am the President and CEO of Members Choice Credit Union, a \$500 million credit union in Houston, Texas. One of the valuable services we provide to our membership are member business loans, specializing in SBA 7(a) lending. By offering these loans to our members, we have assisted business owners by providing the capital necessary to expand their business operations. The growth of small businesses in our community helps to improve the local economic condition while creating new jobs and helping small business owners to fulfill their entrepreneurial dreams of operating their own business.

### **Principle-based Rule**

We support NCUA's effort to streamline the MBL loan process by moving from a prescriptive to a principle-based rule. This will eliminate the need to apply to NCUA for various waivers, while transferring the responsibility to establish appropriate MBL lending policies to the credit union's board of directors. It is understood that NCUA and state regulatory authorities will establish MBL guidance to ensure that policies established by the various boards are in line with safe and sound lending guidelines. By streamlining this application process, credit unions will be better positioned to deliver improved service to members, while maintaining the appropriate level of credit risk management.

### **Increased Flexibility**

We also support NCUA's desire to provide increased flexibility for credit unions who are interested in purchasing non-member loan participations as well as allowing individual credit unions to establish the appropriate level of Construction and Development lending within their community. It is expected that NCUA and state regulators will review for appropriateness these board-approved limits as to ensure no credit union becomes a threat to the Share Insurance Fund as a result of reckless MBL lending policies and practices.

### **Commercial Loans vs. Member Business Loans**

I applaud NCUA's efforts to clarify when an MBL is, or is not, a commercial loan. For example, an area that needs clarification (that is addressed in this proposed regulation) is that of fully secured 1-to-4 family properties, where the property is not the borrower's primary residence. We agree with the recommendation that these loans should be considered an MBL because of the Federal Credit Union Act's requirement, but not a commercial loan. In addition, a member business loan secured by a vehicle manufactured for household use over \$50,000 would be considered an MBL but not a

commercial loan under this proposal. Conversely, a non-member business participation would be considered a commercial loan but not an MBL. These changes make sense and should be included in the final rule.

### **Board of Directors and Management Responsibilities**

We agree with the recent comments by NCUA Board Chair Debbie Matz that “Commercial lending may not be appropriate for every credit union, but that’s a strategic decision for each board of directors to make. Credit unions know their members better than we do and this modernized business lending rule reflects that reality.”

As with all other aspects of credit union operations, the NCUA looks to the institution’s board of directors to establish policies to provide management with guidance to ensure a safe and sound operation, based on guidance from the regulatory agencies. It is appropriate to now operate the industry’s business lending in the same fashion. The only thing we would ask is that the industry have an opportunity to provide comments regarding what that guidance might look like.

Again, thank you for the opportunity to provide input as the NCUA considers what the final MBL rule will look like.

Regards,

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