Centennial Lending
NMLS #3056

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April 22, 2014

Gerard Poliquin
Secretary of the Board
National Credit Union Administration
17785 Duke Street
Alexandra, VA 22314-3428

Re: Comment to the Proposed Prompt Corrective Action – Risk-Based Capital Regulation

Dear Mr. Poliquin:

Centennial Lending, LLC is a Business and Mortgage Lending CUSO located in Longmont, Colorado, whose ownership consists entirely of credit unions that utilize our services. On behalf of Centennial Lending I would like to provide the following official comment letter regarding the NCUA proposed risk based capital rule approved by the NCUA Board in January, 2014. I appreciate the opportunity to provide some feedback on this proposed new rule.

Centennial Lending was formed and commenced operations in 2000 with capital of $150,000 from three credit unions that desired to offer their members business and mortgage loan opportunities that they could not afford to do on their own. Currently, our business model is limited to business and mortgage lending and servicing. We currently have 17 owner credit unions and our capital is approximately $16 million. However, this capital figure does not include all the interest and other income the owners have earned from our CUSO operations over the years.

The first risk rating of concern is not surprisingly the 250% risk rating for CUSOs. In our opinion, there is no legal or factual justification for this rating to be more than 100%. The proposed 250% high risk rating will likely create a significant disincentive for future CUSO investments and possibly create stress on existing CUSOs. This in turn could hurt credit unions that are simply trying to collaborate and be more efficient. Furthermore, history has shown that on the whole, the gains and efficiencies provided by the CUSO business segment far outweigh any minor losses that the credit union ownership have incurred.

The second risk rating for which we would like to provide comment is the “one size fits all” business lending rating based on the concentration of business loans. In our opinion, the structure of the proposed risk rating is limited, and there should be some consideration given to how well that risk is being managed by an impacted credit union. There is no easy answer to this issue, but a “one size fits all” approach is definitely not the answer.

The third risk rating for which we would like to provide comment is “off balance sheet loans sold with recourse”. We currently assist some credit unions that sell conforming first mortgages to the Federal Home Loan Bank through their MPF program where the credit union retains a limited “contractual” portion of the credit risk. The proposed regulation would require the credit unions hold enough capital to satisfy to cover the entire pool rather than the limited “contractual” portion. There needs to be a “carve out” for these types of off balance sheet loans that have limited credit risk.

Thank you for the opportunity to comment on this proposed regulation. While we support a risk-based capital system, we want it to make sense and appropriately reflect the level of risk the involved credit unions are actually experiencing.

If you have any questions, please feel free to contact me.

Mark Bostock
President