August 31, 2015

National Credit Union Administration
1775 Duke St.
Board Secretary
Alexandria, VA 22314

RE: Comments on Proposed Rulemaking for Part 723; RIN 3133–AE37

Dear Gerard Poliquin,

I am writing on behalf of San Diego County Credit Union (SDCCU) with $6.9 billion in assets serving 295,000 members throughout San Diego, Riverside and Orange counties in Southern California. SDCCU appreciates the opportunity to provide the comments to the National Credit Union Administration (NCUA) on its proposed amendments to the member business lending regulation.

Do you believe that the switch from a prescriptive rule to a principle-based rule will provide you more flexibility in making business loans? Why or Why not?

SDCCU is generally in favor of the proposed regulation and NCUA's shift from prescriptive regulation to a principle-based approach. This approach allows SDCCU to tailor our commercial lending program to fit our strategic goals and risk tolerances.

Will the adjustments in the calculations of loans that count for the MBL statutory cap assist your credit union in making more MBLs?

SDCCU supports the adjustments in the MBL calculation. Removing the 12.25% of assets cap removes the more restrictive measure of the MBL limits.

Does the proposed rule provide you with sufficient clarity to know what will be required in your policies/procedures? How will the proposed rule affect your current lending practices/policies?

The proposed rule does not provide sufficient guidance to put sufficient policy/ procedures in place without risk of negative review by examiners. The proposed rule states "With adoption of a final rule, NCUA would publish updated supervisory guidance to examiners, which would be shared with credit unions, to provide more extensive discussion of expectations in relation to the revised rule."

Implementing the proposed rule without fully defining expectations may expose SDCCU to potentially negative impact resulting from changes to policy/ procedure implemented prior to more specific guidance being provided.

Are you comfortable that your examiner will be able to examine your portfolio and policies utilizing a principle-based rule?

The principle-based approach will require a significant amount of judgment by examiners. Clear guidance prior to implementation will need to be provided to examiners to ensure consistency across all financial institution examinations.

Does the removal of the waiver process benefit your MBL program?

Removal of the waiver process should be carefully considered. The proposed principle-based approach will allow for higher risk taking by some less experienced CU's that could negatively impact the risk based return of all financial institutions in the short term.

Does the distinction between commercial loans and member business loans benefit your MBL program?

Participation loans will no longer count against the CU as MBL's and as such will benefit SDCCU's MBL program. However, the rule needs to be simplified to establish what loans qualify under each distinction. It is difficult to determine what loans qualify as MBL or commercial at this time. The chart on page 56 of the proposed rule provides good guidance and should be included in the final rule.

Will your credit union need to create a credit risk rating system or credit grading system in order to comply with the proposed rule?

No, SDCCU already has a credit risk rating system in place for MBLs.

Again, we support the NCUA's efforts to modernize the MBL rule. We appreciate the opportunity to comment on the this Proposed Rule and for considering our recommendations.

Sincerely,

Tum Vongsawad
COO
San Diego County CU

cc: CUNA, CCUL