



August 3, 2015

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

Re: 12 CFR Part 723 – Member Business Loans & Commercial Lending Proposal

Dear Mr. Poliquin:

I am the Senior Vice President of Marketing and Strategy at Digital Federal Credit Union (DCU) in Massachusetts. I appreciate the opportunity to comment on proposed changes to Member Business Loan regulations.

DCU is an experienced and active business lender. We hired the expertise and began offering business loans in 2002. This was initially in response to demand by members who had opened successful businesses after leaving our original sponsor company, Digital Equipment Corporation.

We believe in meeting the prudent borrowing needs of member-owned businesses and enthusiastically support regulatory changes that give DCU and other credit unions additional flexibility to competitively provide these services in a safe and sound manner.

I do have two specific suggestions regarding loan to value (LTV) under 723.2. The regulation says "...lesser of purchase price or market value for collateral held 12 months or less..."

1. Purchase price is only relevant if the loan proceeds are being used to purchase the collateral and should be deleted in other instances.
2. In other cases, market value should be used regardless of how long the collateral has been held or, if the "12 months or less" must be retained, expand the definition to cover purchase price *plus the cost of any improvements*. The reason is that a business owner often can materially increase the value of the collateral in a short period of time. For example:
 - a. For real property, a business may purchase unimproved land without financing and within a few months, subdivide it, add utilities, and gain tenants.
 - b. For loans covering inventory, if a furniture factory purchased wood to make bedroom sets for stock, the new rule may be interpreted to only address the value of the raw wood and not allow for the value added by the manufacturing process.

Thank you again for the chance to share my views.

Sincerely,

A handwritten signature in black ink, appearing to read "Tim Garner", written over a white background.

Tim Garner
Senior Vice President Marketing and Strategy

