August 14, 2015

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

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

Dear Gerald Poliquin,

I am writing on behalf of University Federal Credit Union, which serves Central Texas' and Galveston County Higher Education and Health Care. We have 200,000 Members and $2.1B in assets. University Federal Credit Union 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?

a. Most certainly. In the commercial market place, there are many ways to measure risk and compensating factors to that risk. A "one size fits all" proscriptive rule is not flexible enough for a competent commercial underwriter to be able to really evaluate a loan. Personal guarantees will often not protect us from losses, nor will the 80% LTV.

b. By giving a seasoned commercial lending department the ability to write reasonable guidelines and policy, and the underwriter to evaluate more nuanced layers of risk, this new Rule will allow us to be much more sophisticated in our risk evaluation and our lending decisions.

c. The eliminate of the aggregate net MBL to one member group will also provide us the ability to form solid and on-going relationships with market players who are performers in both boom and bust and recovery market stages, creating a more solid portfolio than can be created with serial new borrowers who have not proven their ability to perform through time and business cycles.

d. The removal of the prescriptive requirements also comes with increased requirements for the following:

i. Higher quality of the policies and lending guidelines,

ii. Higher expectations of the competency of the underwriting, portfolio management and risk mitigation staff

iii. Internal constraints for prudent lending limits approved by an informed Board of Directors

All of these factors will improve the quality of the lending far more than the previously required LTV and Personal Guarantee rules.

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

a. Yes, it would.

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?

a. It does. At UFCU we have already created new guidelines that move beyond our current policies in tightening underwriting guidelines and risk evaluation of lending opportunities. The proposed rule will fit well into our conservative guidelines while allowing UFCU's Commercial Lending area the flexibility to manage risk in a more sophisticated manner.

b. The proposed rules will not really change the practices we have put in place over the past year; what it will accomplish is creating a better competitive position by giving us numerous ways to evaluate the soundness of a commercial loan.

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

a. When UFCU provides the appropriate guidelines, policies and underwriting documentation and a complete risk evaluation, the examiner should be able to evaluate the loans and the portfolio as a whole.

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

a. Absolutely. This is a time-consuming paper exercise for both the credit union and NCUA. Many times, by the time the waiver arrives, the deal has been lost to our more nimble competitors.

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

Somewhat.

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

a. We currently have a risk rating system for both the portfolio and new loans. It will need to be re-examined in light of the new Rule and potentially tightened for those future loans with a higher LTV or lack of personal guarantees.

Credit Unions have long been hampered from providing the loans that our members want and need and that we want to make by the prescriptive approach. The huge response from banks against this rule speaks loudly to the point that the credit unions have been handicapped as competitors in this market place and that they would like to keep it that way.

Credit Unions either have or can acquire the necessary expertise to effectively and safely make business and commercial loans with a principle-driven Rule and NCUA oversight to guide us.

Thank you for the opportunity to comment on the this Proposed Rule and for considering our views on the proposed MBL rule. We fully support the Board's efforts to modernize and streamline this process for our members.

Sincerely,

Laurie Roberts
Sr VP Lending/CLO
University Federal Credit Union

cc: CUNA, CCUL