

August 10, 2015

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

AUG18'15 AM 10:43 BOARD

Re: Comments on Proposed Rule: Member Business Loans; Commercial Lending (RIN 3133-AE37)

Dear Mr. Poliquin,

Thank you for the opportunity to comment on the NCUA's recently issued proposed Member Business Lending Rule. Sound is in favor of all of the recommended changes by the NCUA board. These changes will give our credit union greater flexibility and enhanced autonomy with our program. It will help us serve our members better, provide capital to the small business community, and do so in a safe and sound manner. Even though, at the present time, we are subject to the State of Washington's member business lending rule, we support these changes for the following reasons:

- **Eliminating the Personal Guarantee requirement:** While we strive to always obtain personal guarantees, there are situations where not obtaining a personal guarantee would be reasonable and acceptable.
- **Loan Participations not counting towards the Member Business Lending Cap:** Our credit union's goal is to loan to businesses that are or can be members of our credit union. For reasons including liquidity and concentration risk, it may be prudent for us to purchase or sell a portion of a business loan to/from another credit union. As these purchased loans are non-members for each respective credit union, they shouldn't be included in our cap. Participation loans are important to the safety and soundness of the credit union network and credit unions should not be penalized, in terms of the business lending Cap, for using this asset-liability/liquidity strategy.
- **1-4 Multi-family Loans:** These types of loans are underwritten, funded, and serviced through our residential mortgage area. Consumer residential rules govern these types of loans. They shouldn't be considered as business loans regardless of whether the property is being used as the borrower's principal residence or not.

- Business loan Cap calculation: The proposed change from 12.25% of assets to 1.75 times the minimum net worth requirement is supported by us. Any losses from a business lending program will ultimately flow through net income and negatively impact the capital of the credit union. The risk to the share insurance fund is how much equity is available to support a business lending program should losses occur. The amount of business loans relating to the credit union's net worth rather than total assets is where the risk of focus should be.

The NCUA Board is looking for input regarding the three proposed options regarding the seven States with their own business lending rules. As a state-chartered credit union, we would prefer to follow the rule developed and passed by our elected officials in Washington State. We feel that our local regulators better understand our markets and more quickly adjusts the member business lending rule to the needs of the members and state-chartered credit unions in our State. We prefer "Option C" which is to allow us to continue to use our State rule and allow our Department of Financial Institutions to continue to submit changes to the NCUA for consideration and approval.

Thank you again for the opportunity to comment on the proposed MBL regulation. If you have any questions, I can be reached at 253.597.7602 or toll free at 800.562.8130, ext. 7602. My email address is: dclark@soundcu.com.

Sincerely,



Don L. Clark Jr., CPA
President
Sound Credit Union