



August 20, 2015

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

Dear Mr. Poliquin:

Re: Proposed Rulemaking for Part 723

Alaska USA Federal Credit Union (Alaska USA) appreciates the opportunity to comment on the proposed changes to Part 723 of the MBL regulations. Alaska USA has over 11,500 member business accounts with \$360 million in outstanding business loans.

Overall, we are supportive of the proposed changes to Part 723 as they will make the business lending process more efficient and will provide more flexibility in serving the borrowing needs of credit union business members.

The personal guaranty waiver request process in place today is difficult, inefficient, and in many cases confusing. By giving credit unions the responsibility for determining the necessity of personal guarantees, the proposed rule will align underwriting standards with those of banks and other credit providers. This will be of benefit to our membership, which includes uniquely structured entities such as Native Corporations. The Native Corporations are owned by individual native shareholders that include hundreds, and in some case thousands of individuals. This corporate structure makes it impractical to obtain individual guarantees from these entities. Adoption of the proposed rule would allow Alaska USA to process these business member's loan requests in an efficient and timely manner.

We support the elimination of unsecured lending limitations as it will allow credit unions the option to expand product offerings. The \$100,000 limit included in the current regulation was established long ago and has never been adjusted for inflation or for the increased sophistication within the credit union industry.

We strongly support provisions of the proposed rule that eliminate non-member participations counting toward the MBL cap and the elimination of a regulatory LTV requirement.

We do have concerns with the proposed rule relating to financial statement quality. The proposed rule references that "tax returns and/or financial statements professionally prepared in accordance with generally accepted accounting principals (GAAP) will be sufficient for less complex borrowing relationships...For more complex and larger borrowing relationships...the credit union should require borrowers and principals to provide either (i) an auditor's review of the financial statements prepared consistent with GAAP to obtain limited assurance (i.e., a "review quality" financial statement), or (ii) an independent financial statement audit under generally accepted auditing standards (GAAS) for the

expression of an opinion on the financial statements prepared in accordance with GAAP (i.e., an “audit quality” financial statement).” On the surface, these requirements appear to provide a sound framework for financial statement requirements; however, in the case of less complex borrowing relationships, the proposed rule could require a financial statement prepared in accordance with GAAP. Due to the cost and complexity of this type of financial statement preparation, most lending institutions only require a tax return for less complex borrowing relationships. In the case of undefined “more complex” borrowing relationships, requiring auditor review or audited financial statements in all cases, will make credit unions uncompetitive with banks and other lending institutions that do not currently have these requirements.

We believe the proposed rule should allow credit unions to develop policies and procedures regarding financial reporting requirements that are commensurate with the complexity of their lending activities. This will allow individual credit unions to tailor their policies and procedures to encompass regional or membership nuances that may pose a greater or lesser risk to the institution.

Thank you for the opportunity to comment on the proposal. If you have any questions, please feel free to contact me at (907) 786-2362.

Sincerely,



David Hamilton
Executive Director,
Business and Commercial Services