

August 24, 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 VA Desert Pacific FCU, which serves employees of the VA in California and Nevada. We have 5,200 Members and \$65m. VA Desert Pacific FCU appreciates the opportunity to provide the comments to the National Credit Union Administration (NCUA) on its proposed amendments to the member business lending regulation.

Because of the existing statutory cap and the inclusion of 1-4 family residences as MBL, we have been hesitant to serve our members with this product. Therefore, we favor the principle-based rule and the exclusion of 1-4 family residences and participations from the cap.

We also support the adjustments in the MBL calculation. Unfortunately, the statutory lending cap remains in place, but we support NCUA removing the 12.25 percent shorthand calculation as it is not required by the Federal Credit Union Act (FCU Act) and only an added complication to the rule. The proposed calculation meets the FCU Act's requirements while removing an unnecessary provision.

With the price of residential property in California being as high as it is and with our size being relatively small, we would barely get started offering this product before we would have to stop doing so because of the cap. Lending on rental properties presents a significant opportunity for us to serve our members and generate profitable business for the membership.

As for participations, these are loans, but are similar to investments in many ways. There is a different kind of due diligence and ongoing review for investments that is not the same as for loans. Purchased MBL participations should not be treated the same way loans underwritten and placed in the portfolio individually. Concentration risk from MBL is intensified when there is not geographical diversification. Buying participations allows for greater geographic diversification which in turn decreases the overall risk of the product and the threat to capital of localized economic stresses. Under these circumstances, the credit union could take on more MBL without undue risk.

Thank you for the opportunity to comment on this Proposed Rule and for considering our views on the proposed MBL rule.

Sincerely,

Cindy Glessner
CEO
VA Desert Pacific FCU

cc: CUNA, CCUL