



Oregon State Credit Union

August 24, 2015

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

Re: *Comments on Proposed Rulemaking of Part 723*

Dear Mr. Poliquin:

Oregon State Credit Union appreciates this opportunity to provide comments to the National Credit Union Administration (NCUA) regarding its proposal to amend its member business loan (MBL) regulation.

Oregon State Credit Union continues to grow its member business lending program conservatively. We have been offering business lending solutions to members for more than 15 years. Currently, Oregon State Credit Union has 259 outstanding loans and lines of credit for a total of \$102 million. We offer a full suite of lending options to small business owners within our communities. Our commitment to be a partner in realizing member dreams every day is a key driver in providing business solutions.

NCUA is requesting comments regarding its proposed amendments of the MBL rule Part 723. The objective is to provide federally insured credit unions with greater flexibility and individual autonomy in safely and soundly providing loans. This proposed shift from a prescriptive rule to a principles-based rule is welcomed and applauded. It ultimately benefits members by offering greater flexibility of solutions, while redirecting the focus of credit union risk management experts from regulatory restrictions to prudent practices tailored to each credit union and member's unique circumstances.

Mr. Gerard Poliquin
National Credit Union Administration
August 24, 2015
Page 2

The proposed new definitions and adjustments to existing ones provide more clarity and also provide greater alignment with other banking regulatory standards. We agree with these proposed enhancements and additions of the definitions as presented. The distinction between commercial loans and member business loans is clear and would not create difficulties for our organization. Oregon State Credit Union is designated as a Low Income Credit Union (LICU). While we are not limited currently by an overall member business lending cap, non-LICU credit unions will surely appreciate this significant and welcomed enhancement. If the rule is finalized as proposed, NCUA will be incorporating expectations regarding credit union risk management practices into supervisory guidance. It will be important for these expectations to be limited in nature and clearly defined for all stakeholders well in advance of the proposal's effective date. We request that credit unions have the opportunity to review and comment on the examiner guidance when the NCUA publishes the draft guidance to examiners. This would contribute to a more uniform system with exams. NCUA intends to conduct specialized training for examiners before implementing the rule. We request that training dollars are reallocated within the current budget.

NCUA is seeking comment regarding how best to approach the issue of federally insured state –chartered credit union (FISCU) regulation of business lending. The first question relates to those states that currently have NCUA approved MBL rules in place. The second addresses the continuation of allowing states to submit a variation of the MBL rule to the NCUA Board for its approval.

We strongly believe that any proposal that could adversely change existing or future FISCU carve outs would be moving in the wrong direction. An adverse change such as proposed, within either Option A or Option B, would weaken FISCU's rights and undermine the strength of the dual chartering system. The current process provides a limited state supervisory authority which ensures FISCU's may submit enhancements in conformance with Part 723 that accomplish the overall objective of the rule and NCUA's interpretation of the Federal Credit Union Act. We strongly support Option C. This only serves to improve and modernize the rulemaking process over time.

In our continued efforts to provide small business owners with financial solutions, the proposed rule changes would be positive for our credit union. While we have obtained waivers to appropriately serve our members, such as waiver of personal guarantees and revision of construction/development limits, the waiver process is a barrier within unique individual member scenarios, especially if the request is time sensitive. Oregon State Credit Union already has a credit risk rating system in place so the proposed guidelines would not be onerous for our credit union.

Mr. Gerard Poliquin
National Credit Union Administration
August 24, 2015
Page 3

As the NCUA Board recognizes within its proposal, credit unions generally have conducted business lending safely. In recognizing this fact and looking to change its overall approach to regulating credit union business lending, it enables credit unions to focus attention more to innovation and greater risk management techniques and would ultimately assist our efforts in making more member business loans. We request that NCUA allow credit unions to follow the new requirements at their discretion before the 18-month period end.

In addition to comments related to the proposed member business loan rule, we would like to take this opportunity to provide comment on other MBL issues that NCUA should consider. On the Call report, the reporting requirements relating to the Risk Based Net Worth (RBNW) calculation are cumbersome. It is our understanding that once a MBL drops below \$50,000, it is removed from the 12.25% MBL limit calculation. However, the loan must still be tracked as a MBL under the Risk Based Net Worth calculation. We recommend that reporting be standardized and loans that drop below \$50,000 be removed from the RBNW calculation.

It is also our understanding that year-to-date funded loans must include all advances on a line of credit. For example a line of credit is established for \$60,000. The borrower advances \$60,000, repays \$60,000, and then later advances \$50,000. Under this example, the year-to-date funded loans would be reported as \$110,000. We recommend that the commitment amount upon origination would be the reportable figure for year-to-date funded loans.

Currently the calculation of the Net Long Term Asset Ratio used by many examiners as a measure of risk includes all member business loans as long-term assets regardless of the final maturity. Even credit cards, lines of credit and equipment loans which typically have quite short lives are considered long term assets. We suggest that NCUA review the definition of long term assets to better reflect the lower risk associated with these short term member business loans. It might be appropriate for NCUA to handle member business loans in the same manner as consumer mortgage loans for this ratio, with only maturities of longer than five years being considered as long-term assets.

We appreciate the leadership of the NCUA Board. Thank you for championing the member business lending reform and modernization efforts.

We are here for one reason and only, to provide service to our members. We always operate with our members' best interest in mind.

Mr. Gerard Poliquin
National Credit Union Administration
August 24, 2015
Page 4

Please feel free to contact me at (541) 714-4204 if you have questions or would like to discuss our comments further.

Sincerely,

A handwritten signature in cursive script that reads "Debra M. Riggle".

Debra Riggle
Vice President Financial Services

cc: Credit Union National Association