South Carolina Methodist Conference Credit Union
PO Box 11335, Columbia, SC 29211
Phone (803) 691-0037 or Toll Free (800) 532-8814

August 24, 2015

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

Re: Proposed Rulemaking for Part 723

Dear Sir,

The opportunity to comment on the proposed amendments to the member business loan rules is greatly appreciated. As representatives of a small federally insured credit union serving churches, church members and affiliate organizations of the United Methodist Conference of South Carolina, we wish to express our gratitude for the efforts to update and improve Part 723. In general we find the proposed amendments to be a positive step in improving the member business loan regulations. There are several points of concern.

Small credit unions such as ours are particularly interested in the aggregate limits established for member business loans. Being a low income designated credit union would appear to result in our lack of concern of such limits due to the exemption from such limits. However, prudence requires a credit union of our limited size to utilize the participation of larger credit unions to serve the membership. If larger credit unions become overly concerned with the aggregate limits, their willingness and ability to provide assistance to smaller credit unions through the loan participation could be reduced.

The proposed wording on the calculation of the aggregate limit states that participation loans are not included in the aggregate totals. However, this is followed by wording that could be interpreted as to minimize this exemption. §723.8(b)(2) includes the following exception to the aggregate limit:

> *Any non-member commercial loan or non-member participation interest in a commercial loan made by another lender, provided the federally insured credit union acquired the non-member loans and participation interests in compliance with all relevant laws and regulations and it is not, in conjunction with one or more other credit unions, trading member business loans to circumvent the aggregate limit.*

Our concern is with the wording about a participation being an effort to circumvent the aggregate limit. Many small credit unions need to engage in loan participations to be able to provide members with this desired service. Loan participations can also be beneficial in addressing various loan portfolio risk concerns.

This wording could result in questions and concerns for credit unions that would otherwise engage in business loan participations. Without a more clearly defined requirement and an aggregate limits exemption of significance, credit unions will be overly cautious in order to avoid violating the aggregate limits requirements. We request the NCUA review this exemption to ensure an exemption that is clear and consequential.

There are several other ambiguities in the proposed rule for which attention is requested:

1. §723.5 :

b) A federally insured credit union that does not require the full and unconditional personal guarantee from the principal(s) of the borrower who has a controlling interest in the borrower must determine and document in the loan file that mitigating factors sufficiently offset the relevant risk.

Additional guidance is requested for the terms "mitigating factors" and "sufficiently offset".

2. §723.6 :

(a)……

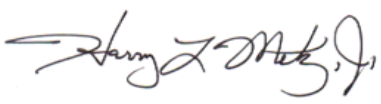
.....A loan to finance maintenance, repairs, or improvements to an existing income producing property that does not change its use or materially impact the property is not a construction or development loan.

The term "materially impact" is in need of clarification as it is leaves open a wide range of interpretation for credit unions and examiners.

The above referenced concerns are issues in need of clarification and guidance to ensure credit union interpretations are consistent with NCUA intentions. The NCUA's goal of providing greater flexibility and individual autonomy while ensuring a sound commercial lending service to credit union members is the proper course of action. While credit union competitors will undoubtedly object, it is important to remember that all credit union services are initiated by member need. As the economic environment in which credit union members operate evolves, credit unions and the NCUA must remain committed to meet member's evolving needs in a sound and safe manner. We view this proposed amendment to the member business lending rule as another step in this on-going obligation.

We request a review of the issues addressed and ask that all regulatory considerations include the broader impact of the requirements on small credit unions and their participating associates.

Sincerely,



Harry L. Metz, Jr., CLE, NCCO
Assistant Manager
South Carolina Methodist Conference Credit Union