



August 27, 2015

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

**Regarding Comments on the Notice of Proposed Rulemaking for Part 723 –
Member Business Loans (RIN 3133-AE37)**

Dear Mr. Poliquin:

The American Consumer Institute (“ACI” or “Institute”) hereby submits its comments to the National Credit Union Administration (“NCUA”) regarding its Notice of Proposed Rulemaking (“NPRM”) in the above-captioned proceeding.

The American Consumer Institute is an independent nonprofit educational and research organization founded in 2005. The Institute’s mission is to identify, analyze and project the interests of consumers in select legislative and rulemaking proceedings in information technology, health care, insurance, finance, energy and other regulatory matters. We have participated as a consumer voice in a number of policy areas. At the invitation of the FCC Chairman, I have joined with Economics Professor Joseph Fuhr (one of ACI’s Senior Fellows) as a member of the FCC’s Consumer Advisory Committee, where I currently chair a regulatory working group. ACI has participated and hosted numerous events dealing with finance, insurance and credit issues. In particular, we have written on credit union policy issues for years and believe that these institutions provide a valuable service to its members and communities.

In our comments today, we are writing to support many of the proposed changes identified in the NPRM to reform the member business lending (“MBL”) rules, and we are providing a few suggestions for consideration. We are strongly in favor of the proposed shift to principle-based regulation from the prescriptive approach. That shift, in our opinion, will provide credit unions with more flexibility in the construction and operation of MBL programs.

The current member business rules have many requirements that necessitate obtaining waivers, even though they are not mandated by statute. The proposed rule would remove those requirements necessitating waivers and thus eliminate the need for them. As such, we are very much in favor of removing all prescriptive regulations that result in waiver requirements, and we support lifting needless limits on construction and development loans. In addition, we also believe that NCUA should go beyond the proposed rule changes and look for additional ways to remove barriers to small business lending. That will allow credit unions to better serve their members.

NCUA also proposes removing the 12.25 percent shorthand calculation – a calculation that is not required by the Federal Credit Union Act (“FCU Act”). The newly proposed calculation meets the FCU Act’s requirements while removing an unnecessary provision. We believe that the NCUA proposal to utilize the MBL cap as a multiple of 1.75 times of net worth would provide modest flexibility for credit unions.

To minimize uncertainty and to permit full understanding of these proposed rules, NCUA should release guidance prior to the final order. In terms of providing additional safeguards going forward, the NCUA should outline some basic minimum requirements for credit unions to be deemed as having a safe and sound MBL program, as well as assist in training for examiners.

In summary, the proposed rule switches regulation from a prescriptive to a principles-based MBL approach, and that approach would represent positive reform. This change and many of the proposed changes in this NPRM would modernize regulations by giving credit unions the ability to develop MBL programs to best fit their members' needs. We strongly support these regulatory reforms and commend the NCUA for its work in this matter.

Respectfully submitted,



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