



Polish & Slavic Federal Credit Union
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Mr. Gerard Poliquin
Secretary to the NCUA Board
1775 Duke Street
Alexandria, VA 22314
regcomments@ncua.gov

Re: Comments on Proposed Rule: NCUA 12 CFR Part 723

Dear Mr. Poliquin:

On behalf of Polish & Slavic Federal Credit Union (“PSFCU”), I am writing to you regarding the NCUA’s Notice of Proposed Rulemaking amending 12 CFR Part 723. I commend the NCUA’s initiative in proposing these rule changes as it demonstrates a good faith attempt to provide meaningful regulatory relief by supporting the ability for credit unions to more effectively meet the needs of their business members and the communities in which they operate.

I welcome the opportunity to comment on this proposal as it clearly will assist PSFCU and all credit unions in better serving their business members growing needs. Business lending has been and continues to be a central component of PSFCU’s strategic blueprint from both a portfolio growth and risk diversification perspective. The proposal provides for the ability for credit unions to implement a business lending program based upon their assessment of their unique markets and to develop the policies and procedures to meet their unique business lending demands in a safe and sound manner. While legislative changes to the Federal Credit Union Act are ultimately needed to raise the current cap; the NCUA’s proposal is an important step in recognizing the importance of business lending in the credit union industry. It provides improved flexibility for credit unions to expand business lending initiatives and demonstrate the ability to implement risk management processes consistent with financial industry standards.

The proposed rule will help credit unions diversify their loan portfolios and mitigate economic instabilities in other market segments and if properly administered, should result in overall improved asset quality by mandating underwriting guidelines and risk management practices consistent with

financial industry practices. Increased business lending activity will also increase the availability of capital to small businesses and will lead to job growth and expanded community services.

While the proposed rule provides more flexibility for credit unions, it will rely in large part on subsequent "Supervisory Guidance" that will be used by Examiners to interpret the Final Rule during examinations. Perceptually, this will give Examiners more flexibility in the interpretation of the adequacy of a credit unions' business lending and credit risk management methodologies and their policies and procedures. In order to effectively assess compliance with the proposed rule, it is critical that examiners receive comprehensive training in the components of business lending and credit risk management to avoid examiner inconsistencies during their assessments.

I believe that there are distinct differences in the levels of risk associated with residential investment real estate lending and more complex commercial and industrial lending. Our membership demographic exhibits a strong entrepreneurial marketplace with a noteworthy segmentation in investment real estate ownership. I do not believe that the proposed rule sufficiently recognizes these differences. I would like to see greater flexibility in the underwriting and monitoring standards for these types of loans commensurate with the risk profile.

Thank you for the opportunity to comment on the proposed rule. The agencies willingness to amend 12CFR Part 723 reflects your acknowledgement of the much needed relief for the credit union industry in meeting business member loan demands. The proposal provides prudent guidelines to consider when establishing business lending policies and procedures and risk management tolerances. While I strongly support this proposal, I encourage the NCUA to consider the comments, issues, recommendations outlined above. If I can be a source of any additional information regarding this comment letter, please feel free to contact me at warnold@psfcu.net or by phone at (973) 808-3240, extension 6254.

Very truly your,

William E. Arnold

William E. Arnold
Executive Vice President & Chief Lending Officer