

From: [Brady Popp](#)
To: [Regulatory Comments](#)
Subject: Comments on Proposed Rule: Revisions to Member Business Lending Regulations
Date: Thursday, August 27, 2015 5:05:49 PM

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

Dear Mr. Poliquin,

The proposed revisions to the member business lending regulations is encouraging. Affording credit unions the opportunity to make their own underwriting decisions is the best way credit unions can meet the business needs of the membership it serves and remain a viable alternative to commercial banks. The vast majority of credit unions do not grant loans indiscriminately and take prudent steps to mitigate risks in its member business lending when necessary.

Providing credit unions the ability to make its own determination as to whether a personal guarantee should be required on a business loan is a positive move. Not all loans require personal guarantees and is advantage our banking counterparts have enjoyed over credit unions. This proposal would level the playing field for credit unions.

Additionally, a one-size fits all approach to regulatory limits on lending often put credit unions at a competitive disadvantage with other institutions that do not face these regulatory requirements. Seeking waivers to exceed regulatory limits is a time consuming exercise. The needs of the membership and the credit union's ability to bear risk should be a factor in determining these limits. The proposed regulation also makes several other substantive changes to the MBL rules. It proposes that the current limitation on construction and development lending at 15% of a lender's net worth be increased to 25% provided that the portion of the loan above 15% is secured by readily marketable collateral. This increase is extremely impactful in that many credit unions regularly bump up against this cap for some of their best proven business borrowers. Currently, the result is driving some of the best business to other lenders to the detriment of credit unions whom the borrower member would prefer to do business with.

The provision in the proposed rule removing the required 80 % loan-to-value cap on collateral used to secure a business loan is welcomed. Most credit union's will establish its own loan-to-value guidelines and underwriting standards. This is not the type of decision that can be mandated by federal regulation without hampering the lender and, in many cases, costing the credit union the ability to effectively underwrite the loan and remain competitive with other lenders.

Finally, the proposal would address the question of whether non-member loan participations will count against the statutory member business lending cap. While the details of how this will work are still a bit cloudy until the rule is finalized, this could be an important provision that both provides some flexibility under the statutory MBL cap of 12.25% of assets and also encourages more loan participations an area about which NCUA has been seemed to become more restrictive on since it passed a set of loan participation restrictions in 2013.

Respectfully,

Brady Popp
Senior Vice President of Lending & Collections
Texas Trust Credit Union