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August 27, 2015

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

Submitted via Federal eRulemaking Portal: [www.regulations.gov](http://www.regulations.gov)

**RE: Member Business Loans; Commercial Lending NCUA proposed rule  
RIN 3133-AE37**

Dear Mr. Poliquin:

Please accept this correspondence as commentary concerning the National Credit Union Administration's (NCUA's) recently issued proposal amending the member business loan (MBL) rule (Part 723). The Minnesota Credit Union Network (MnCUN) appreciates the opportunity to comment on this proposed rulemaking. By way of background, MnCUN represents the interests of Minnesota's 126 credit unions and their more than 1.6 million members.

MnCUN commends the NCUA for its commitment to modernize the regulations governing credit union business lending programs, and is generally supportive of the proposal. The proposed regulation undoubtedly will provide credit unions with more flexibility to effectively manage their business loan portfolios and streamline lending within their commercial lending programs in order to best serve their member businesses. An overhaul of the current regulation to return to the fundamental requirements found in the Federal Credit Union Act is a welcomed regulatory evolution.

MnCUN largely supports the proposal which provides for the following:

- Bright line distinction between commercial loans and MBLs;
- Shift to empowering credit unions to institute their own board and management responsibilities and operational requirements;
- Elimination of the myriad of requirements from the current rule that require a credit union to seek a waiver, most significantly, the personal guaranty requirement;
- Removing explicit loan-to-value limits;
- NCUA's shift from a prescriptive regulation to supervisory guidance methodology regarding expectations for risk management practices in a commercial lending portfolio;

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- A re-focus on examination staff education and training;
- Resetting the MBL cap calculation as 1.75 times the applicable net worth of a credit union.

We are also very supportive of the new distinction between member business loans and commercial loans, and specifically the delineation and removal of many areas of commercial loans from the MBL lending cap. Many of our credit unions operate under a waiver from the cap already; however, for our credit unions subject to the cap, this distinction will absolutely benefit them as their member lending business programs continue to grow.

While we applaud NCUA for its efforts in providing regulatory relief for credit unions regarding MBL regulation, we would offer the following comments and recommendations for consideration.

#### Removal of waiver requirements

Many of our credit unions have shared with us that the current waiver process can be very involved and does not always meet the processing timeline expected from their member businesses. Generally, removal of the waiver requirements will allow our credit unions to continue to lend in an even more efficient manner to better serve their member businesses.

One area for consideration is how to treat credit unions that currently have waivers that may be expiring on or around the time of the issuance of a final rule. We encourage NCUA to consider some “safe harbor” or other method to prevent a credit union from having to re-file a waiver, knowing a final rule eliminating such a requirement is imminent.

#### Small Credit Union Exemption

We are generally very supportive of the exemption for small credit unions that hold a de minimus number and amount of commercial loans, and appreciate NCUA’s sensitivity to the regulatory burden on small credit unions. That being said, we would recommend that the \$250 million asset threshold be eliminated, and that the exemption be open to all credit unions that hold total commercial loans of less than 15% of net worth.

#### Examinations

Regarding examinations under the proposed rule, we generally expect that the supervisory guidance given by NCUA to examination staff will be fairly prescriptive and will make clear the expectations of the new operating parameters, for both examination staff and for our credit unions. NCUA must provide consistent training and guidance to the examiners as part of the implementation of this rule since the rule will require more thorough examination of loans and policies by examiners.

To that end, the supervisory letter anticipated to be released by NCUA will provide an abundance of policy positions, expectations and requirements. As such, and recognizing the unique nature of this shift, we would request that the NCUA supervisory guidance be released for public review and comment. In some instances, the absence of supervisory guidance creates uncertainty in many areas that make it difficult to fully assess the proposed rule's potential impact.

#### Proposed 18 month implementation period

NCUA has also indicated that it anticipates providing significant staff training before the final rule becomes effective, an estimated 18 months. We would recommend that the NCUA issue both the final rule and preliminary supervisory guidance as soon as possible, but train examination staff while also permitting early compliance by those credit unions that are able to meet the new regulatory requirements. Not only will this permit credit unions an earlier opportunity to benefit under the new regulations, but will also provide a "live" beta examination environment for determining best practices for both credit unions and examination staff.

#### Philosophy of evolution from prescriptive regulatory limits to a principle based rule

We are generally very supportive of this evolution of philosophy behind NCUA's regulation of MBL and commercial lending programs, and commend the NCUA for allowing credit unions to "take the wheel." Many of our credit unions already generally view their MBL programs with a principle based approach and have much of the new requirements already in their existing commercial lending policies.

While the overall philosophical approach touted by NCUA is apparent, the rule itself continues to be highly prescriptive in the areas of both the loan-to-value definition, as well as in the definition of construction/development loans. Because of NCUA's desire to shift the entire regulatory approach to commercial lending, we question the necessity of the continued prescriptive approach in both of these areas in the proposed regulation. We recommend that NCUA reconsider these categories to determine if approaching these areas would be best evaluated in the anticipated supervisory guidance as opposed to the prescriptive limits in the regulation.

#### Final thoughts

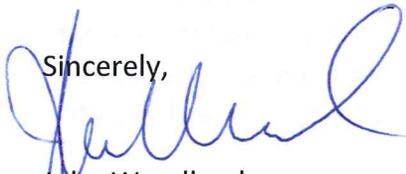
Generally, we are supportive of the proposed member business loan regulation, and believe that it will allow credit unions to remain competitive in the commercial loan market and more importantly, provide them the opportunity to better serve their member businesses.

That being said, there have been many critics of the proposed rule from the banking industry, which demands mention that they are completely unfounded. We applaud the

NCUA for stripping back the current regulation to reflect the original intentions contemplated by the Federal Credit Union Act, and believe that NCUA's approach to the topic generally – following a less prescriptive and more principled approach, and issuing detailed supervisory guidance to credit unions – strengthens the credit union industry generally, promotes safety and soundness, and protects the National Credit Union Share Insurance Fund (NCUSIF). Business loans have allowed credit unions to further diversify their balance sheets, and thereby lower overall risk. All credit unions have an interest in safeguarding and maintaining the integrity and safety of the credit union movement as the system evolves through regulatory changes.

Thank you for taking into consideration MnCUN's commentary regarding this proposed rule. If you have any questions about our comments, please do not hesitate to contact us at (651) 288-5170.

Sincerely,



John Wendland  
Vice President & General Counsel