

August 27, 2015

National Credit Union Administration
1775 Duke St.
Board Secretary
Alexandria, VA 22314

RE: Comments on Proposed Rulemaking for Part 723; RIN 3133-AE37

Dear Gerard Poliquin,

National Credit Union Administration

Gerald Poliquin, Secretary of the Board

1775 Duke Street

Alexandria, Va 22314-3428

August 31, 2015

RE: Comment on Proposed Rulemaking for Part 723: RIN 3133-AE37

Dear Mr. Poliquin:

I am writing on behalf of Kinecta Federal Credit Union (Kinecta), one of the nation's largest credit unions, with approximately \$3.7 Billion in assets, serving 275,000 members. Kinecta appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed amendments to Member Business Lending (MBL) regulations.

First, we would like to commend NCUA for its proposal to switch from a prescriptive rule to a principle-based rule as this will provide credit unions more flexibility in making business loans for members. Our position is that a principle-based rule supported by prudential examination will allow credit unions to establish credit risk management programs that are appropriate for the size, complexity and risk profile of their organization and to operate MBL programs in a safe and sound manner.

Kinecta has been an active member business lender since 2005, and the Credit Union currently manages a portfolio of approximately \$500MM. We agree with NCUA

and have seen that properly structured, priced and managed MBL's can have a positive impact on earnings and net worth for credit unions; however, the impact extends well beyond expanding opportunities for credit union growth. Member Business Lending also gets much needed capital into the hands of deserving local small businesses that in turn create jobs, expand the tax base and ultimately attract new investment to our communities.

We agree with NCUA that an exemption for small credit unions is appropriate. The proposed rule sets a small credit union exemption at \$250 million in assets; however, NCUA's 2014 data indicate that most credit unions up to \$500 million have not been active business lenders. Though this is by far the largest group of credit unions in number, it makes up the minority (<25%) of CU's that offer business loans. We suggest the NCUA consider \$500 million in assets as the qualifier for exemption which should expand the reach and potential impact of this proposal.

We have long advocated against one-size-fits-all rules as these are often unnecessarily burdensome and adversely impact credit union competitiveness. Consequently, we support the Board's proposal to eliminate the two-year experience requirement. Moving away from regulating based on an arbitrary number of years to evaluating the knowledge, skills and experience of the professionals involved in Member Business Lending better aligns requisite skills with the size, complexity and risk profile of each credit union. We also enthusiastically support the removal of the waiver process as it seriously impacts member service and needlessly places credit union at a severe competitive disadvantage.

Our greatest concern with this proposal is the apparent management responsibilities imposed on our volunteer Board of Directors. While we agree that the ultimate responsibility for a safe and sound commercial lending program rests with a credit union's Board of Directors, this proposal seems to require Boards to be much more involved in the operations of commercial lending, beyond what is necessary for prudent governance. Most importantly, this proposal is not clear on exactly what would constitute adequate Board supervision of a commercial lending program under this Rule. This lack of clarity may harm credit unions in two ways. First, it may cause credit union boards to become overly involved in operations instead of setting policy. Second, this uncertainty may convince some Boards to simply decline the opportunity to help members with business loans.

Though we do have concerns, on the whole we support the direction NCUA has taken with this proposal and commend the Board and staff for their efforts. Thank you for providing Kinecta Federal Credit Union the opportunity to comment on this proposal and for your consideration of our comments.

Sincerely,

Keith Sultemeier

President & CEO

Kinecta Federal Credit Union

310.643.5565

CC: CUNA, CCUL

Sincerely,

Linda Landis
Compliance Officer
Kinecta FCU

cc: CUNA, CCUL