SELCO COMMUNITY CREDIT UNION

08/28/2015

Mr. Gerald Polinquin
Secretary to the NCUA Board
1775 Duke Street
Alexandria, VA 22314

Electronically Delivered

Subject: Comment Letter Regarding Proposed Amendments to NCUA's MBL Rule

Dear Mr. Polinquin,

On behalf of SELCO Community Credit Union's more than 100,000 members, I appreciate the opportunity to comment on the recent proposal by the NCUA Board addressing the Member Business Lending (MBL) rule (part 723). In addition to supporting the growth of local economies, member business loans have helped credit unions diversify our balance sheets and lower overall risk. As a credit union with a strong history of member business lending, SELCO supports thoughtful and considered MBL rules that enable credit unions to serve the needs of our members and our communities while maintaining safety and soundness.

Although we support much of the Board's MBL proposal, we have some specific concerns that we hope you will consider as you finalize the wording of these amendments. SELCO's particular comments on the proposed amendments are detailed below. Thank you for your careful consideration of this feedback.

Modification of State MBL Laws

SELCO's primary concern with this rule is that the NCUA is considering eliminating state MBL rules as well as the ability of states to apply to have their own MBL regulation. We request that the NCUA not make any adverse changes to part 741.203 and continue to allow Oregon credit unions to use approved state regulations if we so choose.

It is imperative that states be allowed to maintain previously adopted state rules and to retain the ability to update or submit new state rules to the NCUA for approval. Existing state-specific rules allowed for proof of concept for many MBL advances and have provided the NCUA with a roadmap for improving MBL regulation overall. All credit unions—and their members—benefit from a regulatory environment that promotes innovation. **This is best accomplished by allowing state MBL rules previously approved by the NCUA to be grandfathered in, as well as allowing states to submit new rules for NCUA approval moving forward.**

Removal of Risk-Related Requirements

Unlike many of our peers, SELCO has concerns with the NCUA's removal of requirements for personal guarantees, limits on unsecured MBLs and staff experience and training. Even in the banking world, guarantees are typically required on any owner with a 20% ownership or more. We believe that diluting this requirement will introduce unnecessary risk into many credit union portfolios and contradicts best practices within commercial lending. Similarly, we are concerned about the removal of the limit on unsecured MBLs. Unsecured credits pose additional risks and should be held to a minimum in order to maintain the quality and integrity of credit union member business lending. Finally, SELCO is concerned that the proposed amendment removes the requirement for credit union staff to have two years of direct commercial lending experience for MBL and five years of experience for commercial construction. Our experience tells us that both training and commercial lending experience are critical to a successful MBL program. Failure to have properly trained and experienced staff could end up costing the NCUA millions in bailouts down the road—a situation all credit unions would like to avoid. **In summary, we request that the amendment leave in place the requirement for a personal guarantee, previous limits on unsecured MBLs, and the requirements for staff training and experience.**

Minimum Net Worth

As a leader in safe and sound member business lending, SELCO is opposed to the NCUA's proposed changes to the formula for determining a credit union's MBL cap. Changing the formula from 1.75 times net worth to 1.75 times well-capitalized net worth would remove millions of dollars of available lending capacity from local economies that benefit from member business lending. In addition, this change penalizes well-run MBL programs and well-managed credit unions with solid net worth levels. SELCO currently has a low-income credit union designation that—as we understand it—would allow us to maintain higher MBL limits and continue to serve underserved members and communities. If, however, we were to lose that waiver due to the new MBL cap rule, SELCO's ability to lend for projects and small businesses that directly support the development of low-income communities would be significantly reduced. **Please maintain the current MBL cap formula as well as the ability of low income designated credit unions such as ours to continue to lend safely, soundly and in the interest of our members and communities.**

SELCO Community Credit Union would like to reiterate our appreciation for the opportunity to comment on these proposed regulatory amendments. We remain largely in support of the efforts and commend the NCUA Board for its continued work to make member business lending safe and successful for as many credit unions as possible. We hope you will carefully consider our comments and suggestions. If I can answer any questions, please do not hesitate to contact me.

Sincerely,

Bob Newcomb

Bob Newcomb
President and CEO
SELCO Community Credit Union