



John M. Merlo
President/CEO

August 24, 2015

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

AUG28'15 AM 7:43 BOARD

RE: NCUA Member Business Loan – Proposed Rule

Dear Mr. Poliquin:

On behalf of Premier America and our over 82,000 members we thank you for the opportunity to share our comments regarding the proposed changes to the member business loan rule 12 CFR Part 723. In general, we support the efforts to make regulations surrounding member business lending less complex and more principal based.

Premier America highly supports the proposed changes to regulation 723.8 aggregate member business loan limits. Premier America applauds the NCUA for changing the method of calculating the MBL cap to be based on risk-based capital limits.

Premier America encourages the NCUA to shorten the “delayed implementation” timeframe from 18-months to a more reasonable timeline of no more than six months. Eighteen months is too long to wait for the enhancements to the regulation proposed.

Premier America would like to make additional suggestions/changes to several components to the proposed regulation.

Item	Ref	Proposal	PACU Comments
1	723.1(b)(4); 723.2	1-to-4 family residential investment property is still considered a commercial loan under the proposed regulation.	1-to-4 unit residential investment property utilizes over 2% of Premier America’s MBL cap. Most members in this loan category are small business owners seeking to buy homes or small apartment buildings (less than 4 units) to diversify their investment portfolio. Tying up so much of the MBL cap for what can be considered a residential mortgage if the owner purchased the property for their own use, doesn’t make sense. We encourage the NCUA to exclude 1-to-4 family residential investment properties from the definition of a member business loan.

2	723.2	Definition of a commercial loan.	In the proposed regulation the term “but not for investment...purposes” is ambiguous. This language should be clarified.
3	723.2	Definition of a commercial loan when the aggregate balance is less than \$50,000.	Current regulation refers to “aggregate <u>net</u> balances” so that portions of the loan secured by shares or by government guarantees are deducted from the determination of the loan amount. We encourage clarification of this issue.
4	723.2	Definition of residential property	The proposed definition does not include “town houses” which is different than a condo.
5	723.4(g)(4)	One of the new requirements is to identify exceptions and to track those loans.	The regulation is silent if it would apply retroactively for all existing loans or for new loans once the proposed regulation is implemented. We recommend this section be developed only for new loans on a go forward basis given the tremendous amount of time and effort required to reanalyze every loan currently on the books to see if an exception may have been made when the loan was originally booked.
6	723.5)a) 723.9(a) 723.9(b)	723.5 covers collateral, and sub-paragraph (a) states “Collateral must be sufficient to ensure adequate loan balance protection along with appropriate risk sharing with the borrower and principal(s).” 723.9(a) covers transitional issues and states “Upon the effective date of this part, any waiver approved by NCUA...is rendered moot” 723.9(B) states in the last two sentences that “Included within this paragraph are any constraints or conditions embedded within any waiver issued by NCUA. As of the effective date of this part, all such limitations or other conditions	We currently have two waivers that allow us to modify and roll over existing direct and participation loans for LTVs up to 115%. Without those waivers, we’ll now have to comply with 723.5(a) where it won’t be possible to warrant that the collateral is sufficient to ensure adequate loan balance protection. But section 723.9(b) states that we will still have to comply with the conditions relative to the loans and appraisals under which the waivers were granted, which appears to imply that we <u>can</u> do the modifications and rollovers. Assuming the intent was to allow the continuation of the mods and rollovers of troubled loans, then there needs to be clarification of such in section 723.5. If that’s <u>not</u> NCUA’s intent, then this is very significant.

		remain in place until such time as they are modified by NCUA.”	
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Thank you very much for the opportunity to comment on the proposed regulation.

Sincerely,



John M. Merlo
President / CEO

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