

August 28, 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,

I am writing on behalf of North East Texas Credit Union, which serves the Members of Morris, Titus, Marion, Upshur and Titus Counties. We have 16,000 Members and over \$146 million in assets. North East Texas Credit Union appreciates the opportunity to provide the comments to the National Credit Union Administration (NCUA) on its proposed amendments to the member business lending regulation.

Calculation of the MBL Cap - The proposed regulation eliminates the 12.25% of assets Cap. The cap changed to "the lesser of 1.75 times a credit union's net worth or 1.75 times the minimum net worth requirement to be considered well-capitalized." NETCU needs clarification of what is intended by this change. Will the 7% definition of well-capitalized of the Federal Credit Union act remain in place, or will "well-capitalized" at a higher level once the pending Risk Based Capital rules go into effect? The former interpretation would seem to leave most credit unions' current Portfolio Caps in place. However, if there is a higher threshold for well-capitalized under RBC, it may allow for more space under the MBL Cap.

NETCU is concerned that the principles-based approach will require a tremendous amount of judgment by field examiners. NCUA has improved expertise and exam consistency over the past decade, but it will be essential to continue to develop true commercial lending expertise in examiners, as well as ensuring consistency in all credit union examiners.

The classification of an MBL vs Commercial loan needs more clarification.

Non-Member Participations - The proposed rule excludes these from the MBL Cap and each credit union can set its own portfolio limits as to the amount of non-member participation loans that can be purchased. This is a plus for NETCU as we are a very conservative lender and will continue to be in the future.

I commend the elimination of the minimum two-year experience requirement for underwriting MBLs. Two years experience is not experience enough to underwrite certain loans and manage the risk of a portfolio. The change is a step forward for Credit Unions.

Thank you for the opportunity to comment on the this Proposed Rule and for considering our views on the proposed MBL rule.

The proposed rule would switch from a prescriptive to a principles based MBL regulation. This change modernizes the regulation by giving credit unions flexibility to develop MBL programs to best fit their members' needs. A principles based regulation in some instances can complicate the running of an MBL program for credit unions, as management and boards of directors will bear a greater responsibility in developing and maintaining an MBL or commercial lending program that is safe and sound. However, we think this change is a fair trade off for the flexibility.

Furthermore, the current member business rule has many requirements that necessitate obtaining a waiver, even though they are not mandated by statute. This adds unnecessary burden to credit unions making commercial loans. The proposed rule would remove all of the requirements necessitating waivers and thus eliminate the need for waivers. This represents a major regulatory improvement that we fully support.

Again, we support the NCUA's efforts to modernize the MBL rule. Thank you for the opportunity to comment on this proposed rule and for considering our views.

Sincerely,

Kay Stewart
President/CEO
North East Texas CU

cc: CUNA, CCUL