KANSAS CREDIT UNION ASSOCIATION

August 31, 2015

Gerard Poliquin **VIA EMAIL: regcomments@ncua.gov**
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

RE: Comments on Notice of Proposed Rulemaking for Part 723, Member Business Loans
RIN 3133-AE37

Dear Mr. Poliquin:

On behalf of the members of the Kansas Credit Union Association [KCUA], the trade association for credit unions in Kansas, I write to comment on the National Credit Union Administration's [NCUA] proposal to amend its Member Business Loan [MBL] rule. Established in 1934, KCUA assists member credit unions in meeting the needs of their 640,000+ members.

Kansas credit unions have long been a destination for business members seeking loans. Many of our first credit unions, including those in farming communities, were organized for this very purpose. KCUA is pleased to see that many changes in this proposal would remove barriers to credit union small business lending and allow credit unions to better meet their members' needs. KCUA supports the change to a more principles-based regulation, allowing flexibility in credit union lending programs. However, I would like to offer three specific comments:

Absence of Supervisory Guidance

Because current regulatory requirements will be removed or modified, NCUA has indicated it will issue future guidance outlining the requirements for a safe and sound lending program. This will include information to be used by credit union examiners when reviewing lending programs. It is difficult to fully evaluate the effect of the rule changes on credit union lending programs without knowing these standards.

Due to this uncertainty, KCUA would request the NCUA consider allowing for a comment period on the proposed guidance. Credit unions have concerns that this new rule will complicate management of their lending programs – as they do not know even minimally acceptable requirements which will be relied upon by credit union examiners.

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<u>Further Burdens on Volunteer Credit Union Boards</u>

The proposed rule places responsibility for a safe and sound lending program more fully on a credit union's volunteer board of directors. While that responsibility currently exists, of course, this proposal would require volunteer boards to be more involved in the intricacies of a credit union's lending program. And, therefore, make the implementation of these programs more difficult due to the increased regulatory requirements for the board to approve and monitor all aspects of the credit union's MBL program.

Without the guidance, referenced in the above section, credit unions do not know the true burden their volunteer boards would have in the creation and supervision of an MBL program. The focus for a board should be to set policy for the credit union, not actual operations involvement.

<u>Examiner Training and Guidance</u>

Notwithstanding the above, Kansas credit unions are confident of their expertise to implement and manage a safe and sound business lending program for their members. However, greater concern exists with the ability of inexperienced and untrained examiners to second guess and argue about loan decisions and policies.

It is imperative that NCUA provide the necessary training which will allow current and future examiners to accurately interpret and apply the new rule. Training, as well as senior staff supervision, is critical to examiners being able to accurately review and understand the many aspects and nuances of a credit union's lending program.

Thank you for the opportunity to voice the concerns of Kansas credit unions to this proposal. Notwithstanding the above comments, KCUA supports the proposed rule and the NCUA's expressed intent to reduce Member Business Loan regulatory requirements.

Sincerely,

Marla S. Marsh

Marla S. Marsh
President/CEO