

August 26, 2015

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

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

Dear Mr. Poliquin:

Thank you for allowing Alliant Credit Union ("ACU") the opportunity to submit comments regarding the National Credit Union Administration ("NCUA") Board's proposed changes to its member business lending ("MBL") rule. As the 7th largest credit union with more than \$8,000,000,000.00 in assets, ACU has a robust MBL portfolio and lending department.

As a result of our size, ACU is competing with other non-credit union financial institutions for commercial loans and is at a severe disadvantage because the other institutions are subject to fewer commercial loan regulations. For example, they are not required by regulation to obtain personal guarantees on all loans and are not subject to regulatory loan-to-value limits.

NCUA's proposed MBL rule is a breath of fresh air as its principles-based approach will level the commercial loan playing field between credit unions and the other financial institutions. The principles-based regulation also allows ACU's very experienced MBL department the flexibility in serving members' MBL needs while securing favorable terms to ensure the financial health of ACU.

ACU is fully supportive of the proposed MBL rule, especially the following new rules, as overall it is a significant step in allowing credit unions to enter into "win win" loans for the member and the credit union:

1. That participations in MBLs will not be counted towards the MBL cap;
2. The removal of most of the specific requirements that currently require waivers, including the personal guarantee requirement;
3. The lifting of limits on construction and development loans;



Equal Housing Lender



4. The new definitions including the newly created definition of "commercial loan" that helps distinguish those loans subject to the MBL cap from commercial loans that invoke the safety and soundness provisions.
5. That non-owner occupied 1-4 family residential properties are now treated as a MBL, not commercial;
6. That MBL loan officer experience be commensurate with specific loan underwriting and portfolio risk; and,
7. That senior executives must have a comprehensive understanding of the risks of a MBL program.

In reviewing the proposed MBL rule, ACU did not see any change to the prepayment penalty ban. Given ACU's size and the numerous non-credit union competitors in its national market place, ACU respectfully encourages NCUA to consider abolishing the prepayment penalty ban on MBL and commercial loans as part of the proposed MBL rule.

A ban on prepayment penalties prevents credit unions from obtaining the benefit of their bargain on MBLs. For example, as interest rates decrease, borrowers have access to numerous competitors who are willing to refinance loans at lower rates. There are no assurances that those borrowers will return to the credit union. Without a prepayment penalty clause, credit unions suffer a loss of interest income when the borrower opts to refinance with a competitor. Conversely, when interest rates rise, the credit union cannot call the loan, but must honor its commitment to maturity. Allowing the option of including prepayment penalties lets market place forces determine whether a prepayment penalty is acceptable to a borrower, or not. Finally, loan prepayments, and the interest income lost thereby, ultimately affect the dividend payments to members

As with any proposed rule, or writing for that matter, the intended meaning is not always clear when viewed with a fresh/different set of eyes and experience. In that regards, ACU respectfully seeks clarification on the following items in the proposed MBL:

1. With regard to "loan-to-value-ratios", does the proposed MBL rule prevent the use of an increased appraisal value for property held less than 12 months?
2. What specifically are eligible "hard costs" and "soft costs" related to the loan-to-cost calculation for construction loans? Clarification of those costs would eliminate lengthy discussions with regulators.
3. The "control" element of the associated borrower definition in the proposed MBL rule references a person/entity owning, controlling or possessing voting power for 25 percent or more of any class of voting securities. Should it be 51 percent?

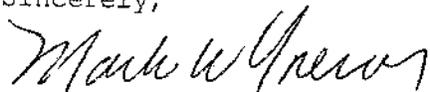
ACU appreciates the time, attention and effort that NCUA and its staff has expended in preparing the new MBL rule. As with every rule, one size does not fit all. For example, the "global cash flow analysis" requirement has limited value when there is no guarantor on a MBL or commercial loan. For loans that do not require personal recourse, it is highly probable that the collateral properties will provide sufficient cash flow to service the debt throughout the loan, so there is no need for a personal guaranty. It has been ACU's experience that commercial landowners and developers routinely set up single purpose entities for each project they embark upon: often resulting in numerous such entities. Requiring a global cash flow analysis incorporating each such entity is time consuming and so long as those entities are not guarantors, is of limited benefit. ACU's underwriting guidelines and loan covenants (i.e. assignments of rent, right to install a receiver, etc.) provide adequate protection.

Lastly, but not the least in terms of importance, ACU appreciates that NCUA plans an 18-month delayed implementation period for the requirements in the proposed MBL rule. Both credit unions and the NCUA will require adequate time to fully implement the new requirements. However, a more effective approach would be to allow credit unions to comply with the new provisions earlier than 18 months if the credit union has satisfied the new requirements. Therefore, ACU respectfully asks the NCUA to permit those credit unions whose MBL policies and procedures satisfy the principles-based approach of the proposed MBL rule to start lending in advance of the 18-month delayed implementation period.

This approach would allow ACU - which has already worked with regulators to amend its MBL policies and procedures such that they already conform to the proposed MBL rule - to take advantage of the very favorable elements of the proposed MBL rule.

Thank you for your consideration of ACU's comments, questions and suggestions as you work toward approving the final MBL rule.

Sincerely,



Mark Trevor
V.P., Member Business Lending

Cc: David Mooney
President/CEO

Jason Osterhage
S.V.P, Lending