From:	Neil Marshall
To:	_Regulatory Comments
Subject:	Comments on Proposed Rulemaking for Part 723
Date:	Friday, August 28, 2015 2:11:47 PM

August 28, 2015

Mr. Gerard Poliquin
Secretary of Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

RE: Comments on Proposed Rulemaking for Part 723

Dear Mr. Poliquin,

I am writing on behalf of Kern Schools Federal Credit Union, an institution of 162,000 Members and $1.3 billion in assets, which serves the communities of Kern County, California. Kern Schools Federal Credit Union appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule for Part 723.

Firstly, NCUA's current waiver process is complex and ineffective. As such, many credit unions, including Kern Schools Federal Credit Union, have been unable to provide loans to small businesses. This proposal establishes much-needed regulatory relief without exposing credit unions, small businesses, or the National Credit Union Share Insurance Fund (NCUSIF) to unnecessary risk. Even though non-member loan participations do not count towards the MBL cap, NCUA's current rule requires a credit union to apply for a waiver if its non-member loan participation balance is going to exceed the cap. The proposal will eliminate the need to apply for that waiver. As a result, credit unions will be able to purchase non-member business loans without seeking NCUA approval when their commercial lending portfolio gets to a certain concentration.

Secondly, while the NCUA will regularly evaluate the appropriateness of a credit union's commercial lending policy and underwriting standards as part of the credit union's examination process, the proposal would nevertheless remove prescriptive underwriting criteria and personal guarantee requirements, thereby eliminating the current waiver process. The proposal would permit the credit union's Board of Directors to establish commercial lending standards with safety and soundness requirements. We are supportive of this action.

Thirdly, the proposal essentially would require a credit union's commercial lending policy to be much more robust than currently mandated, and it would require that the policy address broader commercial lending activities. The proposal would require the credit union to establish underwriting standards to include LTV ratio limits and methods for valuing all types of collateral authorized prior to extending any commercial loans or MBLs. the proposed rule would require CUs to adopt and implement a formal credit rating system to identify and qualify the level of risk of commercial loans. Again we are supportive of the proposed change in this regard.

Finally, we are pleased to see the proposal eliminates the unnecessary constraints in Part 723. While the NCUA retains its full regulatory and supervisory authority to address safety and soundness concerns, as well as confirm compliance with the agency's strict loan participation rule, the proposal is clearly a step in the right direction.

In summary, member financial well-being and the safety and soundness of credit unions remain our highest priorities. Accordingly, we manage all risk and appreciate sharing these objectives with the NCUA.
Thank you for the opportunity to comment on this proposed rule and for considering our views on the its proposed rule for Part 723. Please feel free to contact me directly should any questions remain or arise.

Respectfully submitted,

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"Together, we have something special."