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August 28, 2015

National Credit Union Administration
Attn: Mr. Gerard Poliquin, Secretary to the NCUA Board
1775 Duke Street
Alexandria, VA 22314

RE: Comment Letter to the Proposed Amendments to NCUA's MBL Rule

Dear Mr. Poliquin:

On behalf of Public Service Credit Union, we would like to thank you for the opportunity to express our views on the recent proposal by the NCUA Board addressing the Member Business Lending (MBL) rules of the National Credit Union Administration (NCUA) §723.

As a state chartered credit union serving our community with over 172,000 members and providing member business loan services for seven (7) years, we would like to commend the Board and the NCUA for proposing what, in total, are very positive changes to the current MBL rules. In proposing the move from a prescriptive approach to a more comprehensive, principle-based, approach the NCUA is acknowledging that as a whole credit unions have done a good job of making sound and prudent decisions in building and administering their MBL programs and warrant the opportunity to step out from under the restrictions maintained by the current rule to better serve their membership and compete with other lenders in this arena. Public Service Credit Union and our partners are appreciative of these efforts and continued principled lending, combined with sound oversight, will only serve to further strengthen the industry.

We are grateful for the opportunity to respond to the proposed rule so we may provide additional feedback to shape the final rule in a way to best suit the NCUA and the credit union industry. In that vein, the following are our comments on areas in which we believe additional consideration may be warranted prior to issuing the final rule:

Commercial Loan Policy – §723.4

§ 723.4(c) provides loans to one borrower or group of associated borrowers may not exceed the greater of fifteen percent (15%) of the credit union's net worth or \$100,000, plus an additional ten percent (10%) of the credit union's net worth if the amount that exceeds the credit union's 15% general limit is fully secured at all times with a perfected security interest by readily marketable collateral. PSCU commends the NCUA for a well-balanced approach and supports providing this regulatory flexibility as a prudent means to extend, within the bounds of the current statute, the credit union's lending powers to better serve its members.

Collateral and Security – § 723.5

PSCU supports the proposed changes and is in agreement with the proposed provision that the credit union has both the risk management interest and underwriting ability to effectively analyze whether a personal guarantee is required to mitigate the risk of any particular business loan. This flexibility will enable credit unions to more effectively compete for loans where the personal guarantee requirement disqualified credit unions from strong lending opportunities. We recognize that, as is appropriate, the overwhelming majority of business loans will still require a personal guarantee.

Prohibited Activities – § 723.7(a)(1) and (2)

PSCU questions the necessity to prohibit management level employee, or other officer of the credit union, to receive a business loan, within established credit union lending policy and sound underwriting standards. It appears there is not a significantly increased risk for a member of senior management, or their immediate family, to be granted an MBL as opposed to a mortgage, automobile or other consumer loan which we are permitted to grant. We certainly agree that there should be safeguards in the lending policies and conflict of interest provisions in place to protect from insider abuse; however, we feel these could best be handled through full disclosure of the insider relationship, lending caps, types of loans and Board of Director (BOD) approval. Outright prohibition is excessive.

Aggregate Member Business Loan Limit; Exclusions and Exceptions – § 723.8

§ 723.8, as proposed, would require a loan participation to be without recourse and qualify for true sales accounting treatment under GAAP to be excluded from the calculation of the aggregate MBL limit. The standard argument to eliminate the true sale requirement is it is at best costly and time consuming; to acquire the required opinion from an attorney is onerous. Practically, we have spoken with a number of attorneys on this matter and none of them are willing to provide us with a true sale opinion letter. This renders this requirement not only impractical but unattainable. As such we would recommend that the without recourse requirement be retained but that the true sale requirement be deleted from the final rule.

Loans secured by non-owner occupied 1- to 4-family residential properties

PSCU is a proponent of the proposed rule change to reclassify loans secured by 1-to 4-family residential property, not the borrower's primary residence, as generally not commercial loans in regards to safety and soundness procedures and practices but rather MBL's included in the MBL Cap calculation; this would reduce the resources necessary to monitor the lower risk loans and allow them to be reallocated to closely monitor true commercial loans.

PSCU views the proposed changes, as a whole, to be positive for the industry and provide a framework that will allow credit unions to compete more effectively with the other lenders in this market while still promoting the safety and soundness of PSCU originating and participating in MBL's. We urge the NCUA, and its Board of Directors, to allow credit unions to implement the adopted provisions at a pace appropriate to their resources, however, no later than eighteen (18) months after adoption.

We appreciate your thoughtful consideration of our comments, as you work to finalize this rule.

Sincerely,



Sarah Collins

Vice President of Business Services and Mortgage Servicing
Public Service Credit Union