St. Mary's Bank

August 31, 2015

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

Via Email – regcomments@ncua.gov

Dear Secretary Poliquin:

It is my privilege to relay comments on the proposed rule-making for Part 723 on behalf of St. Mary's Bank, America's First Credit Union. While St. Mary's Bank Senior Management is in support of nearly every component of the proposed changes, there are a few which affect the industry and St. Mary's Bank more notably, and I will limit my comments to those key areas:

Personal Guaranty Requirement Option

From a safety & soundness standpoint, and whereby every credit union is examined on a regular basis, we can unequivocally state that we are prepared to support any decision we make about not requiring such a guaranty. There certainly are situations where, from a prudent underwriting standpoint, as well as a market perspective, it simply isn't needed. This can be due to an abundance of collateral, strength of a particular borrower/project, or other factors that are identified in the due diligence and underwriting process.

Loan To Value Limits

For the same reasons as above, and with the full understanding that there is appropriate consideration and full underwriting of each request, this permits additional equal treatment, while staying within the spirit and scope of Part 723. Specifically, Credit Unions would be able to participate in the C&I arena, service existing member needs, and pursue new business as well.

A "real world" example of this was a significant loan referral made to us from a local CPA concerning an advertising firm buyout request. This principal had been with the agency for many years, and for all intents and purposes was hers to continue to operate and grow. There was more than adequate cash flow, significant fallback on behalf of the principal, and the business was growing. The immediate challenge with the request was documenting sufficient collateral to support the purchase price. That obviously could not happen despite this scenario (where there was an identified cash flow stream), as the collateral was essentially a customer list. It was very disappointing to have to refer this to a commercial bank, but more disappointed was the individual who wanted to do business with St. Mary's Bank and was prohibited from doing so.

Calculation of MBL statutory limits

Utilizing 1.75 times credit union net worth solely going forward is based in logic and sound, practical application of 723 principles. The ability to "weather the storm" and have the staying power to work through troubled loans, threats, or other losses really does lie in the net worth vs. the absolute size. The calculation based on asset size does not appear to add any value, in our opinion. While this may mean less capacity for some and more for others, it seems an appropriate change.

Other – 1 to 4 Family Non Owner Occupied Treatment

This class of loans will continue to be treated as MBL's for purposes of this session. However, this remains an item of disparate treatment. While the NCUA states (accurately in our opinion) that there is higher risk with the 1 to 4 Non Owner Occupied vs. a Single Family and a 1 to 4 Owner Occupied, the balance of all other federally insured institutions are permitted to treat that as a Residential Transaction. This risk can be mitigated with appropriate testing, underwriting standards, and/or sound reserves, among other things, but this is an area where if treated equally with other institutions, would increase capacity significantly for us. This, in turn, will allow us to continue to provide small business credit extensions, where often larger institutions simply are not interested in that segment. We therefore ask that discussions continue to consider such a change in the near future to achieve fair treatment and parity.

In consideration of institutional long term financial health, the NCUA's continued ability to monitor individual credit risk decisions, and mostly for Consumer freedom of choice, we are in support of the proposed changes.

We appreciate the opportunity to provide these comments. We also appreciate NCUA's efforts to date.

Sincerely,

Don St. Germain
EVP, Chief Lending Officer

CC: Ronald H. Covey, Jr, CEO/President, St. Mary's Bank
Paul Gentile, President/CEO, Cooperative Credit Union Association