

August 31, 2015

National Credit Union Administration
1775 Duke St.
Board Secretary
Alexandria, VA 22314

RE: Comments on Proposed Rulemaking for Part 723; RIN 3133-AE37

Dear Gerard Poliquin,

I am writing on behalf of the Tennessee Credit Union League. Our trade association represents over 1.9 million credit union members that hold in excess of \$19 billion in assets. We thank you for the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed amendments to the member business lending (MBL) regulation.

Historically, credit unions provided business loans to their members as part of their overall lending menu of products and, in many of the early credit unions, member business lending was one of the primary reasons they were chartered.

NCUA's proposed rule would shift to a principal-based member business-lending requirement from a more cumbersome prescriptive rule. The principal based rule would give credit unions the latitude to develop an MBL program that would better fit the needs of their members. By removing most of the requirements that often require waivers, including the personal guarantee requirement and lifting all the limits on constriction and development, it would allow credit unions to develop a menu of products to better serve their members.

The Tennessee Credit Union League supports language that helps credit unions make a clear distinction of a "commercial loan." This also helps credit unions differentiate those commercial loans that would be subject to the MBL cap.

We also support the adjustments in the MBL calculation. Unfortunately, the statutory lending cap remains in place, but we support NCUA removing the 12.25 percent shorthand calculation as it is not required by the Federal Credit Union Act (FCU Act) and is only an added complication to the rule. The proposed calculation meets the FCU Act's requirements while removing an unnecessary provision.

Changes contemplated by the rule are accompanied by new responsibilities for credit union boards and management. We note NCUA estimates that credit unions will need to spend 16 hours updating its commercial lending policies, and 160 hours devising and adopting a credit risk rating system. These are important transitional activities, and we encourage NCUA to make certain that its examiners take a flexible and patient approach with credit unions as they work toward completion.

The Tennessee Credit Union League notes that the rule carries a \$1.9 million cost for examiner training. While we view this amount as reasonable and consistent with the need for development of thorough and rigorous safety and soundness oversight of these particular types of specialized lending activities, the Tennessee Credit Union League also counsels caution and restraint in keeping the expenditure at or even below that figure. These funds should be well-targeted and limited to the important task at hand.

The proposed rule changes by NCUA to modernize the MBL rule by removing the requirements of waivers is a regulatory improvement that will allow credit unions to better serve their members financial services needs.

Thank you for the opportunity to comment on this proposed rule and consideration of our perspective.

Sincerely,

Frederick Robinson
President/CEO
Tennessee Credit Union League

cc: CUNA, CCUL