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Public Comments on Member Business Loans; Commercial Lending: =====

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Comment: Thank you for the opportunity to comment on the proposed changes to NCUA Rules and Regulations Part 723. I have been working in the compliance and regulatory arenas in credit unions for more than 25 years and was involved in the MBL proposals as they were working through Congress in 1998. My opinions are mine and do not reflect the opinions of any of my current or past employers.

Back in 1999 when the Agency changed the Federal Credit Union Bylaws, the California Credit Union League (CCUL) submitted a comment letter when the Bylaws were in their public comment period. The letter suggested a change to Article 1, Section 2 dealing with the purposes of the federal credit union. The proposal had the phrase "to create for them a source of credit for provident or productive purposes." The CCUL letter, which I helped draft, asked that the phrase be changed to "for provident, productive or business purposes." The intent was to meet the requirements of the Federal Credit Union Act (12 U.S.C. 1757a(b)(1)) which eliminates the member business lending cap for credit unions "chartered for the purpose of making...member business loans."

In the Supplementary Information for the final rule finalizing the changes to the Federal Credit Union Bylaws (64 FR 55760-61, October 14, 1999) the following was published.

Article by Article Analysis of Comments Article I, NamePurposes Section 2. This provision states the purpose of the credit union is "to promote thrift among its members \* \* \* and to create for them a source of credit for provident or productive purposes." One commenter suggests changing it to "provident, productive or business purposes" because the member business loan rule exempts from its limitations credit unions that are chartered for the purpose of making business loans.

The Board agrees that, if an FCU determines that in compliance with the Federal Credit Union Act (the Act) one of its purposes is to make member business loans, it should be permitted to add this language to its bylaws. 12 U.S.C. 1757a(b)(1). This provision is optional. The final bylaws indicate that FCUs wishing to include the "business purposes" language in their bylaws may do so.

At that point, CCUL believed that the Agency would allow FCUs to use that approved change to the FCU Bylaws to prove compliance with the Federal Credit Union Act to obtain relief from the 12.25 percent asset cap on MBLs.

I am asking that the Agency remain true to its word and regulations to allow FCUs using the current FCU Bylaws to get a proper exemption from the Congressional mandate on the MBL limits. This change would not be violating the law. Instead, it would be a proper method for allowing federally-insured credit unions to meet the member business lending needs of its member-owners.

Thank you for the opportunity to express my opinion.

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