WSECU

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August 28, 2015

AUG31'15 PM 2:04 BOARD

Gerard Poliquin
Secretary to the NCUA Board
1775 Duke Street
Alexandria, VA 22314

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

Dear Secretary Poliquin:

Thank you for the opportunity to submit feedback on NCUA's Notice of Proposed Rulemaking for 12 CFR Part 723 related to potential changes to the Member Business Loan regulations. WSECU is a state chartered credit union headquartered in Olympia, Wash. with over $2 billion in assets and a growing Member Business Lending program, driven by member need. We commend the Board on considering these amendments to assist credit unions in better serving members while maintaining safety and soundness.

Generally, we are in support of the proposed redirection from prescriptive regulation to a principles-based approach. Currently, credit unions are at a competitive disadvantage as a result of the overly-prescriptive rules in place now. We believe the desired outcomes of a well-managed portfolio that contributes to the overall health of the credit union and meets its members' business lending needs is more likely under the proposed changes. We appreciate the NCUA's understanding that a Member Business Lending program should be evaluated on more complex criteria than simple formulas or minimum years of experience of the employees involved.

We also applaud that NCUA's central focus seems to be on credit unions demonstrating adequate risk management in managing their business loan portfolios. That is where the true focus should be.

We understand and agree with the need for experienced lenders at all levels of the program, including senior management. We also agree and already operate under the provision that the Board of Directors has a vital role in staying educated and engaged in the activities of business lending.

Distinguishing between commercial loans and member business loans is another welcome change. This will allow credit unions to remove all non-owner occupied 1-4 family residential secured loans from the onerous safety and soundness standards that apply to true commercial loans. The NCUA acknowledges that not all MBLs present safety and soundness concerns, and 1-4 non-owner occupied residential loans are a perfect example of this.

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Other requirements such as the mandated personal guarantor requirement and the limit on amounts extended to a single obligor are being changed also in a way that is consistent with management responsibility and oversight. We welcome these changes.

We believe the removal of the obsolete and ineffective waiver process is a positive change. As limits on six of the seven regulatory limits disappear with this proposal, so does the waiver process. To our understanding there are over 1,000 active MBL waivers at this time. Removing these limits eliminates the necessity for the waiver process and presumably frees up NCUA resources to focus on safety and soundness examinations and not managing an onerous and unnecessary waiver process, as well as providing credit unions some much needed flexibility in making individual loan decisions for their business member borrowers.

Some questions and need for greater clarity remains. Of particular interest to us is knowing what WSECU's "well capitalized" number will be under the new guidelines. At the current standard of 7% our cap would actually be reduced by about $15M. This will limit our ability to meet the needs of our members and for the community to gain the benefit of the economic stimulus these loans provide.

An additional area needing clarity is reconciling what will be prevailing regulation when there are differences in the seven states - including Washington - that have previously submitted rules approved by the NCUA. We have a trusted relationship with our state regulator and have been able to work through interpretations in the past with successful outcomes.

Once again, overall, we support the direction of the NCUA. The implementation of the credit risk rating system brings NCUA's rules in line with prevailing industry best-practices and eliminates a portion of the competitive disadvantage credit unions deal with regularly as a result of the current MBL restrictions. Most sophisticated credit unions with advanced MBL portfolios and lending experience employ such a rating system anyway as a matter of prudent risk and portfolio management.

Thank you again for the chance to submit this feedback. While we appreciate the greater flexibility it provides. If we can provide any additional information that would be helpful, please let us know.

Sincerely,

Kevin Foster-Keddie, President & CEO
WSECU