



**State of Wisconsin**  
*Department of Financial Institutions*

Scott Walker, Governor

Ray Allen, Secretary

August 31, 2015

Mr. Gerald Poliquin  
Secretary to the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314

***RE: COMMENTS ON PROPOSED RULE FOR PART 723***

Thank you for the opportunity to comment on the National Credit Union Administration's (NCUA) proposed changes to 12 CFR Part, 723, Member Business Loans.

I am from the state of Wisconsin and we have our own member business lending rule in the form of Wisconsin Administrative Rule DFI CU-72, Member Business Loans. The rule was enacted in 2002. As of June 30, 2015, 78 credit unions reported business loans on the 5300 Call Report totaling over \$2.9 Billion. Overall, Wisconsin credit unions have done a good job of providing member business loans and (MBLs) and member business services to their members and it is vital that Wisconsin credit unions continue to provide these services.

First, I specifically want to comment on how to approach the issue of state specific MBL regulations. Wisconsin wants the option to preserve our own rule and amend it to conform with language similar to the proposed NCUA rule. It is important that we maintain our own rule but update it to align with the broad principles based regulatory approach. I strongly encourage NCUA to allow Wisconsin to amend its current rule and also allow *all* states the ability to implement a state specific MBL rule. It is important that NCUA recognizes the importance of a dual chartering system and that state credit unions are important to the credit union regulatory structure in terms of diversity, competition and innovation.

Second, I want to point out two areas of concern in the proposed rule:

- 1) The proposed rule provides an exemption in sections 723.3 and 723.04 for credit unions under \$250 million from the burden of having to develop a full commercial loan policy and commercial lending organizational infrastructure. I disagree with this exemption. Credit unions that intend to make commercial loans must have a full policy and an infrastructure to support commercial lending on any scale. There should be no exemptions for policy and infrastructure based on asset size.

- 2) The proposed rule provides for an exemption from the statutory cap on member business loans for non-member participation interests in a commercial loan made by another lender provided the federally insured credit union acquiring the non-member loans and participation interest is in compliance with relevant laws and regulations. I disagree with this exemption. Credit unions should be focused on making loans to their members and not acquiring non-member participation loans. In addition, for those credit unions that choose to utilize loan participations, they must perform adequate due diligence to ensure the loans are in compliance with their own underwriting standards, limits and risk appetite. I do believe this exemption will encourage credit unions to acquire loan pools that they have not done adequate due diligence on and may encourage evasion of the aggregate loan limit. It is not clear as to why this exemption would be allowed and does not make sense to me.

Finally, the text in the proposed rule states that NCUA will publish updated supervisory guidance to examiners that will be shared with credit unions to provide more extensive discussion of expectations in relation to the revised rule. I encourage NCUA to work with state credit union regulators and state-chartered credit unions in crafting this guidance. I also recommend that the guidance be ready to be distributed when the rule is finalized so all credit unions and credit union regulators have the time needed to review, revise and implement a comprehensive lending program that meets the principle's based regulatory approach.

Thank you for the opportunity to comment on the proposed rule. I am also in support of the comments that are being made by National Association of State Credit Union Supervisors (NASCUS).

Sincerely,

A handwritten signature in cursive script that reads "Kim Santos".

Kim Santos  
Director  
OFFICE OF CREDIT UNIONS