Farmers Insurance Group
Federal Credit Union

August 28, 2015

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

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

Dear Mr. Poliquin:

We are in general pleased with the new proposed Part 723 MBL rule. However, we believe it deserves a fresh look to make certain, first of all, that waivers are addressed in a crystal clear manner.

In our case, we were grandfathered under CUMAA of 1998 with an exemption to the 12.25% of assets limitation because we have historically, for decades, been predominantly a business lender. And of course we still are. Business lending is central to our business model, and critical to our business viability.

We respectfully ask that our waiver to the 12.25% regulatory limit be acknowledged clearly as something that, as long as we remain safe and sound, shall not have to be reevaluated simply "because". The exemption should be able to be relied on year in and year out, subject only to our maintaining prudent MBL practices, policies, and financial soundness within our MBL program.

Our general counsel researched the exception for credit unions having a "history of primarily making member business loans".

The exemption that we are interested in formerly appeared at NCUA Rule 723.17 and more specifically at sub-section 723.17 (c). That sub-section read: "There are three circumstances where a credit union qualifies for an exception from the aggregate limit. Loans that are excepted from the definition of member business loans are not counted for the purpose of the exceptions. The three exceptions are: . . .

> "(c) credit unions that have a history of primarily making member business loans, meaning that either member business loans comprise at least 25% of the credit union's outstanding loans (as evidenced in any call report filed between January 1995 and September 1998 or any evidentiary documentation including financial statements) or member business loans comprise the largest portion of the credit union's loan portfolio (as evidenced in any call report filed between January 1995 and September 1998 or any equivalent documentation including financial statements). For example, a credit union makes 23% member business

> loans, 22% first mortgage loans, 22% new automobile loans, 20% credit card loans, and 13% other real estate loans, then the credit union meets this exception."

The Proposed Rule appears to preserve the three exceptions under Rule 723.17 at [new] Proposed Rule Section 723.8 entitled "Aggregate member business loan limit; exclusions and exceptions." To the point, Proposed Rule 723.8(d) entitled "Statutory Exemptions" states:

> "A federally insured credit union that has a low-income designation, or participates in the Community Development Financial Institutions Program, or was chartered for the purpose of making member business loans, or which as of the date of the enactment of the Credit Union Membership Act of 1998 had a history of making commercial loans, is exempt from compliance with the aggregate member business loan limits in this section [emphasis provided]."
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> "The proposed rule also identifies those credit unions that are, by statute, exempt from the aggregate MBL limit. Specifically, it provides that credit unions that have a low-income designation or that participate in the Community Development Financial Institutions Program are exempt from compliance with the aggregate MBL limit. Credit Unions chartered for the purpose of making commercial loans are also exempt from compliance with the aggregate MBL limit. An additional statutory exemption was provided for credit unions that had a history of primarily making member business loans, determined as of the date of enactment of the Credit Union Membership Act of 1998 (CUMAA), which amended the FCU Act to include certain new restrictions on member business loans.
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> The Board continues to apply the "history of primarily making member business loans" exemption by reference to the date of CUMMAA's enactment; [footnoted as May 27, 1999]; therefore, the proposal removes the outdated provisions in the current rule that relate to the evidentiary documentation necessary to demonstrate a credit union's qualification for the exemption. The [NCUA] Board emphasizes that, regardless of the status of a credit union's exemption from the aggregate limit, all credit unions are subject to the safety and soundness provisions of the rule [emphasis provided]."

Given the above, we wish to ask the NCUA to explicitly indicate that it is preserving this exemption for all those credit unions that already have the exemption.

Associated Borrower – We understand that this is being modified to be in conformance with the banking industry. However, banks don't have sponsors. The modification does not take into consideration the CU Sponsor relationship, and it would be prudent to see that addressed here. Having Farmers Group Inc be considered an associate borrower makes little sense. I understand the purpose of this for an individual, but not a major corporation. It would be good if that could be addressed here. (page 16)

For any waivers approved under the current reg, will the NCUA issue a release from the waiver so that we know which ones still apply and which ones don't? I believe it will be difficult to interpret what "…any particular enforcement measure to which a credit union may uniquely be subject takes precedence over the more general application of the regulation. A constraint may take the form of a

limitation or other condition that is actually imposed as part of a waiver. In such cases, the constraint would survive the adoption of the proposed rule in final form." How are we going to know which form our waivers take? (page 61)

Thank you for your time and consideration of our viewpoints.

Sincerely,

Mark Herter
Chief Executive Officer