

# CoastHills

BUSINESS SERVICES

Mr. Gerard S. Poliquin  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, Virginia 22314-3428

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

Dear Mr. Poliquin:

On behalf of CoastHills Credit Union, I would like to thank you for the opportunity to express our views on the proposed changes to Section 723 - Member Business Lending (MBL).

First and foremost, we would like to commend the NCUA for the recently proposed regulatory changes as it relates to member business lending. It is our view that these changes will strongly enhance our ability to continue our support and servicing of business lending here on the Central Coast of California. The Central Coast is a thriving area of business and business owners who need options when choosing their financial partners. Leveling the playing field between credit unions and banks in a very competitive market of business lending does just that.

There are a number of recommended changes and CoastHills is in support of many of them. Some specific comments on some of the proposed changes are provided below.

Loan Participations: Some of the proposed changes would mean that purchased nonmember participations would not be counted against the lending cap and participated loans to members held by credit unions are not counted against the lending cap and would not require waivers. CoastHills is in support of such a change with one clarification. The new regulation should clearly state whether or not a credit union may purchase participations from non-credit union organizations.

Member Business Loan Policy: Some of the proposed changes would allow a credit union to adopt analysis and documentation requirements in its MBL policy that are appropriate for the types of MBLs the credit union intends to make. CoastHills is in support of such a change. Allowing credit unions to vary the documentation requirements based on the loan type or size of the loan is prudent as long as safety and soundness practices are adhered to.

Construction and Development Lending: Some of the proposed changes would lower the mandatory equity requirements for construction and development lending. It also eliminates the aggregate C&D loan limit. CoastHills is in support of such a change. This will provide credit unions with additional flexibility to provide these types of loans on a more competitive basis.

Maximum unsecured limit: The proposed change would eliminate the unsecured MBL limit to one member or group of associated members. CoastHills is in support of this change. As it currently stands, this is one of the toughest hurdles for credit unions to overcome when competing for business prospects. Removing the unsecured

limit would go a long way in leveling the playing field with banks and allowing credit unions to be more competitive.

Elimination of Waivers: Some of the proposed changes would eliminate the need to gain waivers. In most cases, CoastHills is in support of these changes, which removes one of the biggest deterrents when it comes to servicing the needs of its business membership. The waiver process can be consuming and burdensome. Eliminating waiver requirements in areas such as LTV requirements and personal guarantees provides the regulatory relief needed for credit unions to be more competitive with banks and better serve its membership.

MBL Cap: The proposed change would replace the current calculation method from percentage of assets to a multiple (1.75 times) of net worth up to the amount of net worth required to be well capitalized. CoastHills is in support of this change as required by the FCUA. The 12.25% of assets language is not part of the FCUA.

CoastHills would like to, once again, thank the NCUA for the opportunity to comment on some of the proposed Member Business Lending changes. We are largely in support of many of the proposed changes and would like to commend the NCUA on its balanced approach to business lending.

If we can answer any questions, please do not hesitate to contact me.

Sincerely,



Rob Covarrubias  
VP Commercial Lending  
CoastHills Credit Union

Cc: Jeff York, CEO  
Dave Upham, COO