



Office of General Counsel
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31 August 2015

Filed via regcomments@ncua.gov

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

Re: NCUA's Member Business Lending Proposal, RIN 3133-AE37

Dear Mr. Poliquin:

As the primary association for over 300 state and federally chartered credit unions, the Illinois Credit Union League ("ICUL") is pleased to have the opportunity to comment and express our support about the National Credit Union Administration's ("NCUA") request for comments on NCUA's member business lending rule ("MBL") published on July 1, 2015. For the reasons described below, we strongly support this proposed rule and respectfully request modest clarifications.

First and foremost, ICUL would like to note the substantial changes made by NCUA in its MBL proposal will greatly increase credit unions' ability to serve its members. There has been significant, and increasing, consolidation among banks leaving far fewer institutions focused on small business and community lending. We increasingly hear from our members that small businesses are turning to them for lending solutions because the big banks consider them too small to be profitable. However, the existing restrictions have made many of those loans difficult or impossible. The added flexibility afforded to credit unions to manage their own portfolios and member needs in a prudential manner is much needed and will increase access to lending for the underserved, which is the traditional bailiwick of credit unions. The proposed changes such as the elimination of requirements for personal guarantees, the LTV requirement, junior liens and the lifting of the 12.25% cap are all strongly supported and appreciated.

While the adjustments made in the proposed rule are positive and supported, there are some clarifications that we feel could be made. For example, it seems as though the given net worth requirement for a credit union could change over time, and therefore the limit for MBLs could change for that credit union. If the limit were to decrease, would the existing limit (or loans) be grandfathered in? Would the credit union be unable to disburse any new MBLs until the existing loans were extinguished?

The change to the characterization of 1-4 unit residential properties is also strongly supported and a common sense change. Overall, the changes in definitions to MBLs and commercial loans are logical and consistent. One suggested clarification would be in the definition of non-member participation loans. Depending on the type of participation loan, there may be many borrowers in the loan. When purchasing the participation interest, would the credit union be required to vet the portfolio to ensure that no borrower is also a member of their credit union? While the rule certainly should not allow a credit union to evade the rule by referring a loan and then buying it back, a common sense clarification on "non-member participation" could prevent a future issue.

The NCUA also requested feedback on one of three options on how to deal with states who have implemented their own MBL regulations. Illinois is one of the seven states, having recently completed a multi-year effort to put such rules in place. We believe that Option B, requiring states to align their rules with the proposed MBL rule is the best option. Existing state rules would greatly hamper the ability of state chartered credit unions to serve their members until such rules are updated. We believe that in an area as important as this, state rules should be reconsidered in a timely fashion. As noted in Option B, states could still have more restrictive rules if they so desire.

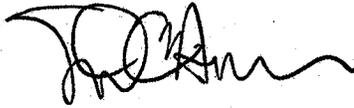
The proposed rule also requires financial statements from small or "less complex" businesses that are GAAP compliant. This seems inconsistent with the overall intent and purpose of the proposed rule being the elimination of the prescriptive requirements, a welcome change, and instead allowing credit unions to develop prudent lending programs tailored to their markets and members. However, for many of the smaller, less complex businesses that credit unions would lend to it would be cost prohibitive or unduly burdensome to have this requirement. We feel that tax returns are an accurate reflection of the financial data necessary in order to properly underwrite a loan for small businesses.

As has been noted by many other commenters, the change from the prescriptive regulation to a principles based regulation will afford the credit unions the greater flexibility they need to serve their members. However, principles based regulation, while affording flexibility, also introduces subjectivity in interpretation by regulators. ICUL joins the many other requestors of an opportunity to review and comment on supervisory guidance prior to issuance of the final rule. While such an opportunity is not required under law, it is not unprecedented and since the supervisory guidance in this case will play such an important role in the ultimate implementation of the rules, we feel it would be in the best interests of the NCUA and regulated credit unions to fully explore how this rule will be implemented before it goes in to effect.

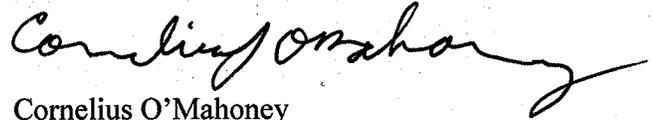
Finally, we would like to point out that the tired refrain from the banking industry, reflected in the numerous comment letters they have already submitted in response to the proposed MBL rule, is solely aimed at keeping higher profits for their shareholders. As consumers (both individual and business) continue to see the substantial benefits of cooperative member owned financial institutions, large banks see a challenge to their profitability. In the comments to this proposed rule, they seek to mischaracterize and mislead, citing to failures of previous credit unions during the financial downturn while failing to recall that credit unions were not the ones that brought the entire globe to its knees. Credit unions, not banks, are the financial institutions that are rooted in communities and are dedicated to serving all their members, not just the biggest and most profitable ones. This proposed rule will greatly enhance the ability of credit unions to serve the smallest of businesses, the ones that are the very fabric of our economy. ICUL commends the NCUA for this proposed change and looks forward to further improvements for credit unions and their members.

We greatly appreciate the consideration of our views.

Sincerely,



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