



August 28, 2015

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

RE: Comments on NCUA Proposed Rule Changes for Part 723, Member Business Loans

Dear Mr. Poliquin,

I am Steve Tonneson, President of Prairie Federal Credit Union in Minot, ND and I would like to thank you for the opportunity to provide comments on NCUA Proposed Rule Changes for Part 723, Member Business Loans (MBL). Prairie Federal Credit Union is a Community Chartered Credit Union serving 6 counties in north central North Dakota.

I would like to thank the NCUA Board for taking the initiative to propose many broad changes to MBL Regulation. I am very impressed and pleased that the Board is proposing a change from the current restrictive prescriptive regulation to a principles-based regulation. I have served on the North Dakota State Credit Union Board for over 15 years and I am a firm believer that each credit union should be allowed flexibility with in the regulations to establish policies that will help serve their members better. If there is abuse to these privileges than they should be dealt with through the examination process on a case by case basis rather than through mass regulation changes. The way I understand it most of the changes to this regulation are being made with this concept in mind. I applaud the Board for this approach.

Just a little back ground about Prairie Federal Credit Union. We were established in the 1930's as a closed chartered railroad credit union. In the late 1980s we were granted a community charter and in the 1990s we were allowed to expand our charter from people living in the city of Minot to Ward County and the surrounding counties. About three years ago we began doing MBLs. We have had a great response from our community and membership so we are now up against our MBL cap of 12.25% of assets. We have tried to obtain a low income designation so we can get a higher MBL cap, but we do not

qualify. As a result our MBL program has stalled out. I am very pleased to see that one of the recommendations is to allow credit unions to use 1.75 times the amount of their net worth. If I understand this correctly this would greatly increase our MBL cap and our ability to serve our MBL members.

A couple of areas that would greatly help us would be:

1. If NCUA would find a way to allow credit unions that were not chartered for the purpose of making MBLs to its members and who do not qualify as a low income status credit union to be allowed to be exempt from the MBL cap as they are establishing a history of making MBLs to their members. As I already mentioned, our credit union has been successfully making MBL for three years and at some point it would be nice if NCUA would give credit for those years with a MBL cap waiver. The fact that a credit union who has never done a MBL can get a MBL cap waiver by qualifying for a low income designation, when a credit union that has been doing MBLs for several years but does not qualify for the waiver and still has to have MBL cap does not make any sense at all.
2. If loans secured by non-owner-occupied, 1- to 4-family residential properties and those secured by vehicles manufactured for household use could be exempt from the MBL cap that would be very helpful to our credit union. As a matter of fact this would give us about \$5 million in additional MBL money that we could lend to someone else.

I also support the following provision in the proposal:

- The elimination of all prescriptive requirements that require a waiver. I especially feel the waiver requirement for non-member business loan participations made by another lender to eliminate them from the credit union's MBL cap should be removed.
- I generally support the new definitions that will help clarify MBL and Commercial Loan activity.
- I support the exemption for smaller credit unions with limited commercial loan exposures by giving them more flexibility in complying with the regulation. However, I think the limit of \$250 million in assets is too low.
- I support allowing loan-to-value ratios be set by credit union policy rather than be mandated by regulation.
- I support the removal of the construction and development loan limitation of the 15% of net worth. By putting limitations into the credit union's policies makes sense.

A couple of other things to consider is I would hope that NCUA will give their examiners adequate training and guidelines so the implementation and examination of the new rules would be consistent from one examiner to another.

The other item is would NCUA allow credit unions to implement the new regulation prior to the proposed 18 months if the credit union would meet all the criteria necessary to comply with the new regulation?

Thank you again for the opportunity to make comments about the proposed MBL rule changes. I can see a lot of thought and work went into this proposal. I appreciate the effort and feel NCUA is proposing many positive changes that will help credit unions serve their MBL members better.

Sincerely,

A handwritten signature in blue ink that reads "Steve Tonneson". The signature is written in a cursive style with a long horizontal stroke at the end.

Steve Tonneson
President