



ARCHER CREDIT UNION

Where Trust is Traditional

www.archerccu.com

ARCHER

2121 Archer Road | Archer, NE 68816
Phone (308) 795-2204 | Fax (308) 795-2266

CENTRAL CITY

P.O. Box 284 | 510 G Street | Central City, NE 68826
Phone (308) 946-3070 | Fax (308) 946-3027

DANNEBROG

P.O. Box 70 | 102 S. Mill Street | Dannebrog, NE 68831
Phone (308) 226-2220 | Fax (308) 226-2233

August 24, 2018

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

RE: Comments on Proposed Rule 701, Loans to Members & Lines of Credit to Members

Dear Mr. Poliquin:

Thank you for requesting comments regarding 12 CFR Part 701; RIN: 3133-AE88. I agree that additional clarity in this area would be very beneficial as we continue our efforts to meet the needs of our member/owners.

My comments are specifically related to Section II, Summary of the Proposed Rule; Letter B, Sub-section ii regarding limits applicable to loan participations and commercial loans.

Should the NCUA provide a single universal standard limit for commercial loans and loan participations that may be purchased with respect to a single borrower or group of associated borrowers? What is the appropriate limit?

- 1) Yes, it most certainly would be beneficial as long as that standard is no less than it presently is. But I believe additional waivers to the standard limit should be available, with guidance from the NCUA.
- 2) The standard present limit of 15% appears to have served the industry well over many years. However, the lending portfolios in the industry have changed dramatically over the years, and there are sufficient variables that this standard limit may not adequately serve our members.

Specifically, present regulations provide for an exception for participation loans purchased, with much more limited availability in regard to loans that are originated. While the concept has some merit, in actuality it allows for higher credit risk on loans the credit union has not originated and knows less about. The result is a credit union could be at more risk on loans that it has less knowledge on.



www.archerccu.com

ARCHER

2121 Archer Road | Archer, NE 68816
Phone (308) 795-2204 | Fax (308) 795-2266

CENTRAL CITY

P.O. Box 284 | 510 G Street | Central City, NE 68826
Phone (308) 946-3070 | Fax (308) 946-3027

DANNEBROG

P.O. Box 70 | 102 S. Mill Street | Dannebrog, NE 68831
Phone (308) 226-2220 | Fax (308) 226-2233

In addition, the waivers allowed for loans originated by a credit union are very limited to assets that are not prevalent with our membership base. So, the allowable waivers are more likely non-existent.

An option that would actually minimize risk and benefit our members would be to provide NCUA guidance on waivers to credit unions that have a demonstrated structure that allows for additional risk. Specifically, I feel that the NCUA should allow waivers to an individual borrower of up to 25% of capital if identified criteria are met. Examples of this would be 1) Delinquency ratio; 2) Charge-off ratio; 3) Capital Ratio; 4) Documented expertise of lenders in the chosen field; and 5) Credits that are rated a Pass.

For example, our credit union loans primarily to agricultural members. Their total borrowings routinely exceed \$1M and have gone over \$4M. Despite having agricultural lenders with over 75 years of combined ag lending experience, and having no ag charge-off's and no ag delinquencies, we are required to sell off any loans that exceed \$1M. This results in a decrease of member service as it hinders our timeliness and flexibility, and a decrease in profitability as we are required to do all of the work for \$4M in loans and only receive income on \$1M plus a small servicing fee. In our small credit union alone, this would increase our income by roughly \$195,000 per year with no additional cost which would increase our ROA by approximately 0.3 basis points – a 6% increase.

In summary, I agree that a single, universal limit on member business loans and commercial loans would have great merit. In addition to this universal limit, providing guidance for waivers above 15% will allow for better member service and increased profitability with no increase in expense and risk monitored by the lenders who know the credit best.

Again, thank you for allowing this input. Please contact me if you have any questions.

Sincerely,

Daniel Poppe
President/CEO
dpoppe@archerccu.org
308-946-3070