



November 21, 2019

Gerald Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Subject: Comments on Interagency Guidance on Credit Risk Review Systems

Dear Mr. Poliquin:

Coastal Federal Credit Union appreciates the opportunity to provide comments for the proposed Interagency Guidance of Credit Risk Review Systems. Coastal is headquartered in Raleigh North Carolina, we have an asset size of 3.3 billion, and we are currently serving over 265,000 members.

You've requested comments on 3 specific aspects of the proposed guidance.

Question 1: To what extent does the proposed credit review guidance reflect current sound practices for an institution's credit risk review?

We feel the listed duties and objectives of the credit review appear appropriate. We also agree with the importance and necessity of risk rating frame work but suggest acknowledging different loan types. For instance, a commercial loan risk grading system should focus on debt coverage ratios, secondary repayment viability and intangible components related to the loan sponsor(s). This frame work will feature more complexity and specialized analysis as opposed to a consumer-based rating system which can be more simply established with debt to income ratios, loan to values and credit score.

Question 2: To what extent is the proposed credit review guidance appropriate for institutions of all asset sizes?

We agree that credit review system expectations should vary by scale and/or complexity of loan programs and structured similarly to that suggested by the proposed guidelines.

Question 3: What if any additional factors should the agencies consider incorporating into the guidance to help achieve a sufficient degree of independence and why?

We agree with the loan review scope parameters provided and with the importance of independence, but also calibrated by aforementioned recognition of scale differences.

The description of rating "appeals" process could be a bit overdone; basically, the final determination of the rating should be the responsibility of the Chief Lending Officer, Credit Officer, or the Governing Loan Committee based upon policy dictated loan threshold amounts.

Thank you for the opportunity to provide feedback on the proposed interagency guidance on credit risk review systems. We appreciate the agencies coming together to provide financial institutions with updated guidance that reflects the current expected credit losses methodology.

Sincerely,

A handwritten signature in black ink, appearing to read "Martyn Pell". The signature is written in a cursive style with a large, stylized initial "M".

Martyn Pell

SVP/CLO Coastal Federal Credit Union