



3138 10th Street North  
Arlington, VA 22201-2149  
703.842.2215 | 800.336.4644  
F: 703.522.2734  
dberger@nafcu.org

**B. Dan Berger**  
President & Chief Executive Officer

National Association of Federal Credit Unions | [www.nafcu.org](http://www.nafcu.org)

August 31, 2015

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

RE: Comments on Proposed Rulemaking for Part 723 related to Member  
Business Loans and Commercial Lending

Dear Mr. Poliquin:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only national trade association focusing exclusively on federal issues affecting the nation's federally insured credit unions, I am writing to you regarding the proposed rulemaking on a federally insured credit union's member business lending (MBL) portfolio and general commercial lending activities. *See* 80 FR 37898 (July 1, 2015). NAFCU and our members have long advocated for NCUA to modernize Part 723's outdated waiver process in order to allow credit unions to provide competitive commercial loans to their small business members and communities. This proposal constitutes an important step towards achieving that goal, and we applaud NCUA's extensive outreach with stakeholders in developing a more flexible commercial lending regime that will provide much-needed relief, while maintaining pivotal safety and soundness provisions. In this spirit, NAFCU would like to offer our comments and suggestions that we believe would strengthen the rule.

### **General Comments**

First and foremost, NAFCU would like to express our strong support for the proposed elimination of Part 723's prescriptive underwriting criteria and personal guarantee requirements in favor of a principles-based lending regime. As NAFCU outlined in our "Top Ten" list of regulations to eliminate or amend, we continue to hear from our members that Part 723's current waiver process is far too restrictive and often prevents them extending sound loans to their small business members – loans which are either lost to competitors, or worse, never extended at all. We strongly believe that credit unions need flexibility to develop and set underwriting criteria and lending policies commensurate with their individual business models and risk appetites, as well as with general safety and

soundness considerations. Accordingly, NAFCU and our members would like to express our appreciation to NCUA for engaging in numerous discussions with NAFCU, credit unions and industry representatives on how to amend Part 723 to achieve such flexibility, while maintaining the safety and soundness of the industry.

In our ongoing dialogue with the Small Business Administration (SBA), NAFCU has found that small businesses are struggling to find access to capital and liquidity from other lenders, and are turning to credit unions for help. Credit unions want to provide such funding, in a safe and sound manner, but are arbitrarily limited by NCUA's existing regulation. Many banks are not providing small business with this funding despite the need and their ability to do so. This is evidenced in a 2011 SBA study that observed bank business lending was largely unaffected by changes in credit unions' business lending, and credit unions' business lending can actually help offset declines in bank business lending during a recession.<sup>1</sup> Given this current small business environment, NAFCU and our members applaud NCUA's efforts to move away from prescriptive regulatory requirements in favor of general principles that will provide credit unions with greater flexibility to better serve their small business members and communities at large.

### **Need for Legislative Reform of MBL Cap**

NAFCU has long championed relief for the arbitrary and outdated member business lending cap for credit unions. While legislative changes to the *Federal Credit Union Act* (FCU Act) are ultimately needed to raise the cap, NAFCU appreciates the agency's continued support for such reform. In particular, we applaud Chairman Matz's recent testimony before the House Financial Services Subcommittee on Financial Institutions and Consumer Credit where she reiterated the agency's support for the *Credit Union Residential Loan Parity Act* (S. 1440/H.R. 1422), the *Credit Union Small Business Jobs Creation Act* (H.R. 1188). We encourage NCUA to also support legislation to exempt loans made to our nation's veterans from the cap, H.R. 1133. NAFCU and our members believe these bills will provide requisite relief for credit unions and our nation's small businesses from the outdated and arbitrary MBL cap.

### **Statutory Authority**

The *Credit Union Membership Access Act of 1998* (CUMAA) amended the FCU Act to, among other things, impose an aggregate limit on an insured credit union's outstanding MBLs. Specifically, the law caps an insured credit union's total amount of outstanding MBLs to the lesser of 1.75 times the credit union's net worth or 1.75 times the minimum net worth required for a credit union to be well capitalized.<sup>2</sup> The FCU Act, however, does not impose prescriptive underwriting criteria and personal guarantee requirements on MBLs.

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<sup>1</sup> See James A. Wilcox, *The Increasing Importance of Credit Unions in Small Business Lending*, Small Business Research Summary, SBA Office of Advocacy, No. 387 (Sept. 2011).

<sup>2</sup> See generally 12 U.S.C. § 1757a.

While the FCU Act does not specifically prescribe commercial underwriting standards, NCUA has full authority to interpret the statute as it sees fit, so long as the agency's construction of the FCU Act's language is reasonable.<sup>3</sup> After the passage of CUMAA, NCUA wrote a series of prescriptive rules that imposed requirements that were not mandated by the FCU Act, including rigid regulatory loan-to-value (LTV) requirements, the personal guarantee requirements, vehicle lending standards, and construction and development lending conditions. These provisions were promulgated in the abundance of caution under NCUA's broad safety and soundness mandate. They were not mandated by Congress.

As NCUA recognizes in this proposal, safety and soundness for member business lending can be achieved through targeted supervision and examination, rather than prescriptive regulatory underwriting criteria. Credit unions with well-established, solid commercial lending infrastructure and sound risk management policies deserve the flexibility to serve business owners without unnecessary regulatory restraint. Through this proposal, NCUA lifts many of the non-statutorily mandated restrictions from Part 723, while retaining its full regulatory and supervisory authority to address safety and soundness concerns on a case by case basis. NCUA is acting within its statutory authority in promulgating this proposal because Part 723's current prescriptive underwriting criteria are not mandated by the FCU Act, and the proposal does not alter the statutory MBL cap.

#### **Elimination of the Waiver Process**

NAFCU and our members strongly support NCUA's removal of Part 723's outdated and unnecessarily burdensome waiver application process. Currently, Part 723 imposes prescriptive underwriting criteria and requires that credit unions obtain a personal guarantee from the principal(s) of the borrower. In order to deviate from these prescriptive requirements, a credit union must seek agency approval, commonly known as a "waiver." The proposal, however, would remove these prescriptive underwriting criteria and personal guarantee requirements, thereby eliminating the current waiver process.

NAFCU supports the elimination of Part 723's prescriptive underwriting criteria and personal guarantee requirements because although the current rule allows a credit union to apply to the agency for a waiver from these limitations, our members have found the process to be time consuming, frustrating, and, in many cases, confusing to them and their small business members. The elimination of these limitations will allow credit unions to better serve small businesses within their communities. Over the last decade, credit unions have missed opportunities to extend safe and sound loans due to the prescriptive requirements, as delays in funding caused by Part 723's cumbersome waiver process led to credit unions to lose the business to other lenders who are able to act without such restrictive requirements. NAFCU firmly believes that allowing a credit union to establish its commercial lending standards with general safety and soundness requirements in mind based on its own membership, business model, and risk appetite, will provide much needed

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<sup>3</sup> See *Chevron v. Natural Resources Defense Council*, 467 U.S. 837 (1984).

regulatory relief to the credit union industry and help small businesses access necessary credit in a timely fashion.

### **Definitions**

NAFCU understands that NCUA adopts several new terms to the “Definitions” section to comport with the overall framework of allowing credit unions to establish their own risk management policies related to the commercial lending portfolio. The proposed rule modifies the current rule’s definitions of the following terms: (1) Associated borrower, (2) Loan-to-value ratio, and (3) Net worth. Additionally, the proposed rule includes new definitions for the following terms, which are not currently defined in Part 723: (1) Commercial loan, (2) Common enterprise, (3) Controlling interest, (4) Credit risk rating system, (5) Direct benefit, (6) Loan secured by a 1- to 4- family residential property, (7) Loan secured by a vehicle manufactured for household use, (8) Readily marketable collateral, and (9) Residential property.

In general, NAFCU and our members support the inclusion of these new terms; however, we believe there are some definitions that can be clarified and improved in order to provide requisite regulatory clarity.

#### *Direct Benefit*

The proposal would define “direct benefit” to mean “the proceeds of a loan or extension of credit to a borrower, or assets purchased with those proceeds, that are transferred to another person or entity, other than in a bona fide arm’s length transaction where the proceeds are used to acquire property, goods, or services.”<sup>4</sup> NAFCU and our members suggest that the NCUA Board replace the term “property” with “tangible and intangible assets.” The use of the word “property” implies that this definition would only apply to real estate. NAFCU and our members believe “direct benefit” would be more appropriate defined to include not only real estate but also furniture, fixtures, equipment, portions of ownership (buying out a partner), buying rights to a product or service, and contracts, among other things. Accordingly, we recommend that the agency utilize “tangible and intangible assets” rather than “property.”

#### *Common Enterprise*

NAFCU is concerned that the current definition of “common enterprise” is unclear and could improperly cover activity that is not a part of a common business scheme. The proposed definition of “common enterprise” suggests that loans made to separate entities may be aggregated in some cases when considering the definition of “associated borrower.” Under the proposed definition, loans should be aggregated for a “common enterprise,” when (1) the source of repayment for each loan is the same for each borrower and no individual borrower has another source of income from which the loan may be

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<sup>4</sup> See 80 FR 37898, 37915 (July 1, 2015).

fully repaid; or (2) when loans are extensions of credit made to borrowers who are related directly or indirectly through common control and substantial financial interdependence exists between the borrowers; or (3) when separate borrowers obtain loans or extensions of credit to acquire a business enterprise of which those borrowers will own more than 50 percent of the voting securities or voting interests.<sup>5</sup>

NAFCU believes that NCUA's proposed definition could lead to instances where two unrelated borrowers are improperly covered as a common enterprise. Consider the following example: two unrelated, separate trusts at a credit union apply for a commercial loan. Each trust, however, derives income from the same publically-traded stock. Under the proposed definition of "common enterprise," these trusts would be improperly classified as a common enterprise solely because they share a source of income. While NAFCU acknowledges that shared income sources can sometimes be an appropriate indicator of commonality, we believe the proposed definition is unclear as drafted and could create unintended coverage of unrelated entities. We recommend that the NCUA Board clarify the definition, or, at minimum, include illustrative examples in the Final Rule's preamble to explain how the agency intends to apply this definition in practice.

#### *Control*

The proposed rule seeks to amend the definition of "associated borrower" by, among other things, adding a consideration of "control" within the borrowing relationship. NCUA would define "control" to exist when a person or entity "(1) owns, controls or has the power to vote 25 percent or more of any class of voting securities of another person or entity; (2) controls, in any manner, the election of a majority of the directors, trustees, or other persons exercising similar functions of another person or entity; or (3) has the power to exercise a controlling influence over the management or policies of another person or entity."<sup>6</sup>

NAFCU is concerned that this definition does not appropriately test whether a borrower has control because typically an individual entity or person can only have control when it can vote a majority of the shares outstanding. In practice, a majority requires that the individual owns, controls, or has the power to vote more than 50 percent of shares outstanding. Accordingly, NAFCU suggests that NCUA amend the proposed definition to establish a 50 percent threshold for control. Additionally, NAFCU recommends that NCUA specify that control does not occur when the "person in control" is only temporary and/or a non-beneficiary. For example, NAFCU asks that NCUA exempt situations where there has been a receiver assigned or an attorney has Power of Attorney due to death.

#### *Loan-to-value ratio*

The proposed rule modifies the current definition of "loan-to-value ratio" (LTV) to clarify

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<sup>5</sup> See 80 FR 37898, 37915 (July 1, 2015)(emphasis added).

<sup>6</sup> See 80 FR 37898, 37915 (July 1, 2015).

how this ratio should be calculated. Specifically, the numerator must include all outstanding loan balances plus any unfunded commitments secured by the collateral. The proposal explains that this numerator calculation should only include senior debt from other lenders, not junior debt. Also, the proposed rule clarifies that the denominator of the LTV ratio is the market value for collateral held longer than 12 months, and the lesser of the purchase price and the market value for collateral held 12 months or less.

NAFCU recommends that NCUA revise the definition to allow the purchase price to be used for LTV only when the funds of a loan are used to purchase the collateral. Additionally, we believe that the 12 month requirement should be eliminated, because if the collateral is already owned, even if only less than 12 months, the market value is a more appropriate calculation to be used in the denominator for lending purposes. Alternatively, if the proposed definition remains at 12 months, NAFCU recommends that the value should at the very least be changed to “purchase price plus any costs of improvements.”

### **Board of Directors and Management Responsibilities**

NAFCU and our members appreciate NCUA’s initiative in this rule making to empower credit unions to write their own policies and loan limits in a manner that best reflects the risk appetite of the institution and the small business needs of the individual communities served. In particular, under the proposal, a credit union’s board of directors is required to approve and adopt a commercial loan policy that complies with the requirements of the regulation. This commercial loan policy must be reviewed at least annually, and it must address commercial lending practices, procedures, and the organizational structure. The policy must be periodically updated by the board of directors, and the board must receive periodic updates from credit union management on the performance of its commercial loan portfolio.<sup>7</sup> NAFCU believes that these robust internal controls provide necessary flexibility to allow credit unions to adjust their lending practices to meet the economic conditions and the needs of the small businesses they serve, while also ensuring the safety and soundness of the credit union.

NAFCU and our members are supportive of NCUA’s move away from the prescriptive staffing requirements related to senior executive officers and qualified lending personnel. We believe that the proposal’s more qualitative requirements of a credit union’s management staff are better suited to ensure that a credit union follows safe and effective commercial lending practices. In general, the proposal would require a credit union to ensure that its commercial lending program is overseen by staff with the appropriate expertise in managing the type of commercial lending in which the credit union is engaged. Specifically, the senior executive officer must have a comprehensive understanding of the credit union’s commercial lending business model and risk management processes.

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<sup>7</sup> See 80 FR 37904.

However, NAFCU has a few concerns with the statute, particularly proposed Section 723.3(b) related to the required expertise and experience of staff. In particular, Section 723.3(b)(2) states that the credit union "...must employ qualified staff..." with experience in three distinct areas. NAFCU believes that this section should switch the word "staff" to instead read "management and loan officers". As written, the staff must have experience in all three areas (i) Underwriting and processing, (ii) Overseeing and evaluating the performance of a commercial loan portfolio, and (iii) Conducting collection and loss mitigation.<sup>8</sup> While the management should have experience in all three areas, NAFCU and our members believe that the qualified lending staff should not be required to possess all three. Instead, NAFCU suggests that Section 723.3(b)(2) be amended to require qualified lending staff to have experience in at least one of the three enumerated categories.

### **Commercial Lending Policy**

As noted above, NAFCU and our members are very supportive of NCUA's proposal to eliminate Part 723's prescriptive underwriting standards and instead allow a credit union's Board of Directors to establish its commercial lending standards with general safety and soundness requirements in mind. While the proposal, on its face, eliminates the existing prescriptive requirements for LTV ratios, minimum equity investments, portfolio concentration limits for types of loans, and personal guarantees, it will now require these risk management considerations to be adopted in the credit union's internal commercial loan policy. In essence, the proposal would require a credit union's commercial lending policy to be much more robust than currently mandated, and it would require that the policy address broader commercial lending activities.

In the preamble to the proposed rule, the NCUA Board explains that "the proposed rule contemplates risk management processes that include procedures for achieving a comprehensive understanding of the borrower's operations, financial condition, and the industry and market in which the business operates."<sup>9</sup> The NCUA Board also notes its expectation that a credit union manage its commercial lending risk by submitting reports on the performance of the commercial portfolio "on a regular basis to senior management and the board of directors."<sup>10</sup> In general, NAFCU supports this internal reporting among senior management and the board of directors. However, we are concerned that certain requirements of the commercial lending policy are too prescriptive and must be revised.

#### *Single Borrower Concentration*

Under the proposal, a credit union's commercial lending policy must establish a loan-to-one-borrower limit at the "greater of 15 percent of the federally insured credit union's net worth or \$100,000, plus an additional 10 percent of the credit union's net worth if the amount that exceeds the credit union's 15 percent general limit is fully secured at all times

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<sup>8</sup> See 80 FR 37916.

<sup>9</sup> See 80 FR 37905.

<sup>10</sup> *Id.*

with a perfected security interest by readily marketable collateral.”<sup>11</sup> In essence, the proposal will impose a prescriptive single borrower concentration limitation without an ability to request a waiver. Further, the proposal would base the concentration limitation on a percentage of net worth, causing a significant problem for smaller credit unions.

While NAFCU and our members acknowledge the importance of establishing a single borrower concentration threshold in a commercial lending policy, we firmly believe that NCUA’s proposed limit is far too restrictive. Instead, NAFCU believes credit unions should be allowed to set their own single borrower concentration thresholds, rather than be boxed-in by regulatory limits. We urge the NCUA Board to remove the proposed prescriptive single borrower concentration threshold in order to allow credit unions more flexibility in setting individual single borrower concentration limitations under their board-approved commercial lending policies.

Should NCUA insist on establishing a rigid single borrower concentration threshold by regulation, NAFCU believes that NCUA must, at the very least, revise the proposed *de minimis* dollar threshold. As noted above, this prescriptive threshold will prove most onerous for small credit unions. In order to avoid unnecessarily hindering small credit unions’ ability to lend to their small business members, NAFCU encourages the NCUA Board to adopt a higher *de minimis* dollar threshold no less than \$250,000.

Regardless of whether NCUA chooses to allow credit unions to set their single borrower concentration thresholds individual, or require them to adhere to a prescriptive regulatory limit, NAFCU and our members recommend that NCUA base the concentration limitation on a percentage of shares and undivided earnings, as mandated by the FCU Act for other types of loans.

#### *Financial Statement Quality*

Proposed Section 723.4(f)(4) would require that a credit union’s commercial underwriting standards include provisions addressing “the financial statement quality and the degree of verification sufficient to support an accurate financial analysis and risk assessment.”<sup>12</sup> In the preamble to the proposal, the NCUA Board explains that:

“Financial statement quality is determined by the level of assurance provided by the preparer and the required professional standards supporting the preparer’s opinion. In many cases, tax returns and/or financial statements professionally prepared in accordance with generally accepted accounting principles (GAAP) will be sufficient for less complex borrowing relationships, such as those that are limited to a single operation of the borrower and principal with relatively low debt. For more complex and larger borrowing relationships, such as those involving borrowers or principals with significant loans outstanding or multiple or

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<sup>11</sup> See 80 FR 37898, 37916 (July 1, 2015).

<sup>12</sup> See 80 FR 37898, 37916 (July 1, 2015).



interrelated operations, the credit union should require borrowers and principals to provide either (i) an auditor's *review* of the financial statements prepared consistent with GAAP to obtain limited assurance (*i.e.*, a "review quality" financial statement), or (ii) an independent financial statement *audit* under generally accepted auditing standards (GAAS) for the expression of an opinion on the financial statements prepared in accordance with GAAP (*i.e.*, an "audit quality" financial statement)."<sup>13</sup>

While NAFCU and our members acknowledge the importance of verifying the financial condition of a borrower and the risk posed by the borrowing relationship, we do not believe that NCUA should expect or require credit unions to obtain a financial statement prepared in accordance with GAAP for each commercial loan. Due to the cost and complexity of this type of financial statement preparation, NAFCU's member credit unions have indicated that such an expectation or requirement would be cost prohibitive, and thus deter them from engaging in safe and sound lending to small businesses within their communities. Further, NCUA's proposed expectation of GAAP-audited financial statements is a more stringent and burdensome underwriting criteria than imposed by the banking regulators, thereby placing credit unions at an unnecessarily costly competitive disadvantage.

Therefore, NAFCU and our members recommend that the NCUA Board allow credit unions to meet the proposed financial statement quality standard by obtaining tax returns, rather than GAAP-audited financial statements. This approach would not prevent credit unions from requiring GAAP-audited financial statements on a case-by-case basis when the complexity of the borrowing relationship necessitates a more complex financial statement. It would, however, allow credit unions the flexibility to develop policies and procedures regarding financial reporting requirements that are appropriately commensurate with the complexity of their lending activities and relationships. Such an approach would not only eliminate unnecessary costs, but it would also more appropriately mirror the other banking regulators' approach for commercial lending underwriting regarding financial statement quality.

#### *Periodic Loan Review*

The proposal seeks to require that a credit union's commercial lending policy set forth the requirements for periodic loan relationship review. NCUA notes that a "standard practice in this respect is to review the relationship from a financial and operational standpoint *on an annual basis*, simultaneous with the timely submission of the fiscal year-end financial statements."<sup>14</sup> NAFCU believes the costs of an annual loan review would significantly outweigh any benefits it might confer. Rather than requiring an annual review of each commercial loan's credit rating, NAFCU suggests that NCUA allow credit unions to

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<sup>13</sup> See 80 FR 37898, 37906 (July 1, 2015).

<sup>14</sup> See 80 FR 37898, 37906 (July 1, 2015)(emphasis added).

establish their periodic review standards based on the commercial loan type and size, as determined by each credit union's Board of Directors.

### *Credit Risk Rating System*

Under the Risk Management processes that a credit union must establish, the credit union must adopt a credit risk rating system to analyze and describe the credit risk of each loan extended by the credit union. The proposed rule defines a credit risk rating system as, "a formal process that identifies and assigns a relative credit risk score to each commercial loan in a federally insured credit union's portfolio, using ordinal ratings to represent the degree of risk."<sup>15</sup> The definition continues to explain that a credit risk score is "determined through an evaluation of quantitative factors based on financial performance and qualitative factors based on management, operational, market, and business environmental factors."<sup>16</sup> The proposal clarifies that a risk rating system is a standard industry practice utilized by commercial lenders, and it is a longstanding NCUA supervisory expectation that is required by other regulators to monitor and quantify risk.

In the preamble to the proposal, NCUA estimates that approximately 200 credit unions that engage in member business lending do not currently have such a credit risk rating system in place. Additionally, NAFCU has heard from several of our members that do have a credit risk rating system, that NCUA's examiners have been unduly critical of the existing systems but have given little guidance on what is expected in an acceptable system. Accordingly, NAFCU and our members request that the agency, during its internal training on the proposed amendments, stress to NCUA examiners that credit unions have flexibility under the proposal to develop a credit risk rating system tailored according for their individual credit risk appetite.

### **Small Credit Union Exemption**

NCUA's proposal acknowledges that not all credit unions engage in commercial lending practices that warrant such robust internal risk management policies and procedures. Accordingly, NCUA allows certain credit unions to be exempt from this proposal, specifically if the credit union has both (1) assets less than \$250 million; and (2) total commercial loans less than 15% of net worth. Additionally, NCUA states that in order to qualify for the exemption, a credit union must also not regularly originate, sell or participate out commercial loans. The proposed exemption would merely allow qualifying credit unions to make sure that their existing loan policy provides for the types of commercial loans granted, rather than having to develop a full commercial loan policy and commercial lending infrastructure.

In developing this exemption, the NCUA Board explains that it wants to "avoid inclu[ding] credit unions that infrequently originate minimal amounts of loans that technically meet

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<sup>15</sup> See 80 FR 37915.

<sup>16</sup> *Id.*

the proposed commercial loan definition, or that infrequently reduce their risk profile by selling or participating part of their loan portfolio.”<sup>17</sup> NAFCU believes that NCUA can still achieve this objective by increasing the covered asset threshold to be any credit union with less than \$500 million in assets. Because a credit union that qualifies for this exemption must still have a board-approved policy covering its general lending activity, as mandated by Section 701.21, there would be no undue safety and soundness risk to the credit union industry to raise the applicable asset threshold to \$500 million.

NAFCU consistently maintains that the size of an institution does not determine its complexity. Credit unions are distinctly different from one another with regard to their loan portfolios, and commercial lending is no exception. Such distinctions are indicators of their level of complexity and requisite risk management. There are many credit unions well over \$250 million in assets that have very simple commercial lending portfolios. Accordingly, NAFCU believes that the exemption should focus on the complexity of credit union’s commercial lending portfolio rather than focusing primarily on an arbitrarily low asset threshold.

#### **Nonmember MBL Loan Participations**

NAFCU strongly supports eliminating the need to apply for approval from an NCUA regional director for a credit union’s non-member loan balances that will exceed the lesser of 1.75 times the credit union’s net worth or 1.75 times the minimum net worth required for a credit union to be well capitalized. This current application requirement, like many of Part 723’s prescriptive underwriting criteria, was promulgated in an abundance of caution by NCUA under the agency’s broad safety and soundness authority. Its removal will allow credit unions to purchase non-member business loans without seeking NCUA approval when their commercial lending portfolio gets to a certain concentration.

NAFCU and our members believe that this change is essential because the current rule unnecessarily caps nonmember MBLs, and has long served to stifle credit union growth and ability to diversify. While the proposal eliminates the unnecessary constraints in Part 723, NCUA retains its full regulatory and supervisory authority to address safety and soundness concerns, as well as confirm compliance with the agency’s strict loan participation rule. We support NCUA’s willingness to remove this non-statutorily mandated restriction in order to not only provide necessary regulatory relief for the industry, but this would also allow credit unions much-needed flexibility in their diversification strategies.

#### **Implementation Date**

NCUA seeks to delay implementation of the final rule for 18 months to “allow NCUA and state supervisory authorities adequate time to adjust to the new requirements, including training staff, and for affected credit unions to make necessary changes to their commercial

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<sup>17</sup> See 80 FR 37898, 37900 (July 1, 2015).

lending policies.<sup>18</sup> While NAFCU and our members recognize the importance of robust and diligent examiner training, we urge the agency to adopt an implementation timeline that will make this rule effective as soon as possible. Further, NAFCU's member credit unions have indicated that they will prioritize training their staffs and updating their policies to conform to the new rule as quickly as possible. Accordingly, NAFCU recommends that NCUA delay implementation of the final rule no more than 12 months in order to strike a balance between properly educating and training NCUA examination staff as well as providing much needed regulatory relief to credit unions as quickly as possible.

### Conclusion

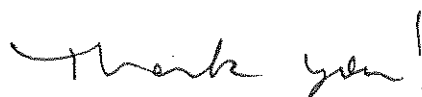
NAFCU applauds NCUA's willingness to amend its MBL rules and regulations to provide the requisite relief for the credit union industry and help small businesses access credit throughout the country. While we strongly support this proposal, NAFCU and our members encourage the agency to address the recommendations outlined above, as we believe these suggestions will achieve true regulatory relief for credit unions.

We look forward to continuing to work with NCUA to address more ways that the agency can streamline and refine existing regulations in order to more effectively grow and support the dynamic credit union industry. Should you have any questions or would like to discuss these issues, please contact me by telephone at (703)-842-2215, or Alicia Nealon, NAFCU's Director of Regulatory Affairs at (703) 842-2266 or [anealon@nafcu.org](mailto:anealon@nafcu.org).

Sincerely,



B. Dan Berger  
President and CEO



cc: The Honorable Debbie Matz, Chairman  
The Honorable Richard Metsger, Vice Chairman  
The Honorable Mark McWatters, Board Member  
Mr. Michael McKenna, General Counsel  
Mr. Larry Fazio, Director of the Office of Examination and Insurance  
Mr. Todd Harper, Director of the Office of Public and Congressional Affairs

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<sup>18</sup> See 80 FR 37898, 37912 (July 1, 2015).