



Office of the President

August 19, 2008

65

Ms. Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Re: 12 CFR Part 723
Member Business Loans

Dear Ms. Rupp:

Navy Federal Credit Union provides the following comments in response to the National Credit Union Administration's (NCUA) advance notice of proposed rulemaking on member business loans (MBLs). Navy Federal is the nation's largest natural person credit union with over \$35 billion in assets and 3 million members.

Credit union MBL programs include a wide range of business purposes and capital requirements. Although there may be some similarities, the multiplicity of credit union MBL programs calls for special expertise and knowledge compared with consumer lending. It also requires regulatory flexibility if its varied and special needs are to be effectively met. Individual MBL terms including loan to value (LTV) requirements should be determined by applying prudent lending practices to the specific activity being financed rather than constrained by a "one size fits all" regulatory approach. In the absence of compelling evidence to the contrary, we urge NCUA to relax regulatory constraints currently imposed on the MBL programs of credit unions.

Navy Federal supports lowering the borrower's equity requirements for construction and development (C&D) loans from the current 25 percent to 20 percent as suggested in the Federal Register Supplementary Information. This would translate to raising the maximum LTV limits on C&D loans from the current 75 percent to 80 percent. This move would be more consistent with the general LTV limits currently used in the mortgage industry. While C&D loans are riskier than loans secured by a completed structure, increasing the LTV cap for C&D loans should not jeopardize credit union safety and soundness and it will allow credit unions to offer members a more attractive business loan product.

Current LTV requirements for vehicle loans are unnecessarily restrictive and should be relaxed or eliminated. Credit unions have vast experience and a solid history in automobile lending to consumers. Although we recognize there are differences between business and consumer lending, we believe credit unions' experience with automobile loans contributes to sound vehicle lending for business purposes. The current regulation exempts cars, vans, pick-up trucks, and SUVs from LTV requirements provided such vehicles are not part of a fleet. NCUA opinion letter 05-1038 relies on Webster's Dictionary and defines fleet as two or more vehicles. We urge NCUA to exempt all car, van, pick-up truck, and SUV loans from the LTV requirements for MBLs. Additionally, we question whether the regulatory LTV requirement is necessary for non-consumer type vehicles. Unless there is strong evidence to the contrary, we recommend elimination of the LTV requirement for all vehicles or, alternatively, apply the LTV requirement only to non-consumer type vehicles that are a part of a fleet.

We strongly encourage NCUA to seek statutory authority to increase the 15 year limit on investment property mortgages found in 12 USC 1757(5) to 30 years. To effectively serve their members, credit unions need authority to make investment property mortgages to standards widely used in the industry. For example, both Fannie Mae and Freddie Mac have investment products to facilitate the purchase of 30 year investment property mortgages in the secondary market. The ability to sell these mortgages on the secondary market could potentially reduce credit union interest rate risks. Giving credit unions the flexibility to offer 30 year investment property mortgages would allow them to offer more attractive options to their members.

Navy Federal appreciates the opportunity to comment on the advance notice of proposed rulemaking on MBLs. If you have any questions on our comments, please contact Ellen Scott, Policy Analyst at (703) 206-2577.

Sincerely,

A handwritten signature in black ink that reads "Cutler Dawson". The signature is written in a cursive style with a large, looped "C" and "D".

Cutler Dawson
President/CEO