

August 25, 2008

Ms. Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

Re: Comments on Advanced Notice of Proposed Rulemaking for Part 723

Dear Ms. Rupp,

The Georgia Credit Union League (GCUL) appreciates the opportunity to comment on NCUA's Advance Notice of Proposed Rulemaking (ANPR) pertaining to the Agency's consideration of amending the rules regarding member business loans. As a matter of background, GCUL is the state trade association and one member of the network of state leagues that make up the Credit Union National Association (CUNA). GCUL serves approximately 178 credit unions that have over 1.7 million members. This letter reflects the views of our Regulatory Response Committee, which has been appointed by the GCUL Board to provide input into proposed regulations such as this.

Summary of GCUL's Position:

- Based on the current regulatory limitations, credit unions are at a distinct competitive disadvantage when it comes to providing member business loans (MBL) to their members.
- Waiting for the approval for obtaining a waiver to the current 75% LTV requirement for construction and development loans often limits a credit union's ability to bid on these loans. Well-capitalized credit unions with experience in these types of loans should have greater flexibility.
- We believe current Loan-to-Value (LTV) limits are in need expansion.
- We encourage NCUA to further clarify the ability of utilizing a third-party for meeting the two-year experience requirement.
- We encourage NCUA to provide additional clarification pertaining to loan participations.

Detailed Responses:

Credit unions continue to operate in a heavily regulated environment that creates competitive disadvantages for them when it comes to providing products and services to

members. Current regulatory guidelines surrounding member business lending are no exception.

Loan-to-Value Issues

NCUA believes construction and development (C&D) loans are the riskiest type of MBL and, therefore, require greater regulatory restrictions. While we agree with this general premise, we believe ample opportunity exists to expand the authority to those credit unions that are 1) in a strong financial position, and 2) experienced in granting these types of loans.

Under the current process, it takes too long to get a waiver for the 75% LTV required on a C&D loan. When these loans are sent out for bid, the bidding has closed well before a waiver can be obtained. This results in the credit union's inability to bid at all. We would encourage NCUA to consider raising the 75% LTV to 80% for credit unions that are well capitalized and have experience in granting these types of loans. This will mitigate much of the perceived risk while also providing more latitude for credit unions to operate in.

We also believe that for credit unions to be able to compete with other financial institutions, NCUA should raise the LTV cap for all non-C&D Loans to 90%. Unsecured loans are currently limited to the LESSER of \$100,000 or 2.5% of net worth. We believe this should be changed to "GREATER". Additionally, we believe that there should be no limitation for the credit limit on unsecured business credit cards used for the normal and routine daily operations of a business as these do not qualify as unsecured business loans for reporting purposes (Regulatory Accounting, see NCUA 5300 Call Report, Page 59, #24 of Instructions.)

Two-Year Experience Requirement

Under the MBL rules, a credit union must use the services of an individual with at least two years of direct experience with the type of lending the credit union is engaging in, and the experience must provide the credit union with sufficient expertise with regard to the complexity and risk involved with that MBL. NCUA has noted that there appears to be confusion regarding how to comply with the two-year experience requirement or how the requirement is to be calculated using both in-house employees and third-party contractors. NCUA also notes possible confusion as to how CUSOs may provide this expertise to non-owner credit unions and credit unions that wholly or partially own the CUSO.

We believe Part 723.5 should be clarified and request that NCUA include examples for each section.

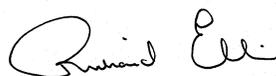
Loan Participations

Under Part 723, credit unions may sell participation interests in their MBLs to the same extent as for non-business loans, and the NCUA loan participations rule provides the basic regulatory requirements, which also apply to MBL loans. The MBL rule specifically addresses MBL loan participations by instructing credit unions how they must account for MBL participations for member and non-member loans and how they will affect the credit union's aggregate limit on net MBL balances. NCUA believes some credit unions have not focused on the link between the MBL and the general loan participations rule and have also experienced difficulty in accurately accounting for MBL participations. NCUA is also concerned that some credit unions may not be aware of the waiver process that is available when nonmember MBL participations may otherwise cause a credit union to exceed the aggregate limit on MBLs. We encourage NCUA to provide additional clarification pertaining to loan participations. Current guidelines in this area are confusing and in need of clarification.

Under Part 723, the purchase of a loan or participation interest therein for a non-business loan does not count against the regulatory cap. However, when the cap is exceeded, credit unions are required to receive a waiver in order to exceed it. This is confusing. As NCUA notes, the purchasing and selling of participation interests is an effective liquidity and concentration risk mitigation management tool. In legal terms, this would constitute an argument that qualifies as a "Non-Sequitur". Additionally, the waiver process, specifically 723.16(b)(2)(iii), indicates that credit unions must state the proposed limit of these types of loans when seeking a waiver. However, the rule does not suggest what the credit union should measure it against (such as increasing the 1.75 times net worth – or – the 12.25% of assets). We would ask that NCUA clarify what is expected in such waiver applications.

Thank you for the opportunity to comment on the ANPR for Part 723. As noted above, it is our opinion that current regulations with regards to member business loans do not allow credit unions to be as competitive as they should be. Business loans provide the economic stimulus that has made the American economy the strongest in the world. Ultimately, revising the member business loan rules would allow credit unions to make additional contributions to the entrepreneurial environment and financial well-being of their members. If you have questions about our comments, please contact Cindy Connelly or me at (770) 476-9625.

Respectfully submitted,



Richard Ellis
Vice President/Credit Union Development
Georgia Credit Union League