June 5th, 2017

Linda Jekel – Director
Doug Lacy Roberts – Program Manager
Credit Union Division
Tumwater, WA 98501

Re: Comments and questions regarding MBL Rule-Making

Dear Linda and Doug

On behalf of North Coast Credit Union we appreciate and commend you for your MBL rule making process and look forward to the final changes and adoption.

At our last meeting, it was my understanding that you are leaning toward adoption of the Interagency Real Estate Guidelines – Part 356 and conditionally increasing the concentration limits for Acquisition, Development and Construction (ADC) from 15% to 25% of capital. North Coast supports these proposed changes but would like to clarify and/or comment a follows:

1. The Interagency guideline provisions outlined under " Loans-In- Excess of Supervisory Loan- to-Value Limits" conditionally provide the lender with the option of exceeding regulatory loan to value guidelines, without requesting formal loan to value waivers. Is it the intent of the DFI to adopt the same provision - subject to aggregate loan to value over limits not exceeding 100% of capital, mitigating factors and board reporting ?

2. Definition of Acquisition, Development and Construction Loans increase from 15 to 25% of capital. North Coast supports this change, but there appears to be differing opinions among the lenders comments as to the definition of an ADC Loan. Based on my 40+ years with commercial banks and ADC lending, the primary difference and definition of an ADC loan versus other types of acquisition, development and construction loans, is that the loan is short term (1-2+ years) and the primary source of repayment is from the speculative sale of the property . In other words, a combination interim –permanent loan to acquire land, develop and construct for business use or rental income would not be a speculative ADC loan. Can you clarify if the proposed 25% cap is limited to shorter term - speculative ADC lending or a much broader definition ?

3. While we appreciate the proposed increase on unsecured lending from $100M to $250M we will most likely retain our house limits at $100M and consider unsecured loans in excess of $100M as an exception, or case-by-case basis. Based on our experience, we believe unsecured and auto lending in excess of 100% LTV to be higher risk lending activities. Given the regulatory acceptable risk thresholds on these two products, we are surprised that non-real estate MBL lending is limited to 80% LTV with higher limits – subject to the wavier process.