August 20, 2008

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

RE: NCUA Board Call for Comments – Member Business Lending

Ms. Rupp,

As per the request of the NCUA Board, the Cypress Group, LLC is pleased to provide the following comments for consideration as regards the existing member business lending regulations.

Introduction

The Cypress Group, LLC (Cypress) was formed as a credit union service organization in December 2003 by seven Florida credit unions. These credit unions include Campus USA Credit Union (Gainesville, FL), CFE Federal Credit Union (Orlando, FL), Community First Credit Union of Florida (Jacksonville, FL), Grow Financial Federal Credit Union (Tampa, FL), Pen Air Federal Credit Union (Pensacola, FL), Space Coast Credit Union (Melbourne, FL), and Tropical Financial Credit Union (Miami, FL). Collectively, our seven credit unions maintain $8.3 billion in assets with 127 branches statewide. Our business lending portfolio (including participations) is approximately $227.6 million.

Cypress provides underwriting, documentation, and portfolio maintenance services of member business loans to its seven owners. At this time, it is a closed shop and does not offer its services to non-owner credit unions.

Business Lending Philosophy

The approach taken by Cypress and its credit unions has been conservative, inasmuch as we have sought to build our MBL portfolio on a foundation of owner businesses while minimizing our exposure to construction & development, commercial investment properties, land development and other higher-risk transactions. To facilitate in this objective, we have divided our lending approach into three levels:

Level One – Small Family Owned Businesses (aka Mom & Pops)

These relationships represent smaller retail, service, and wholesale businesses with revenues generally under $1,000,000 and a potential lending relationship no greater than $250,000 to $500,000. The advantages to these relationships include the ability to spread credit risk over a number of smaller loans, the use of the existing branch networks for loan solicitation, and the need for only basic business loan products and deposit services. Disadvantages entail increased operational costs due to larger number of relationships, borrowers & owners tend to have limited financial strength, and deposit balances tend to be smaller.

Level Two – Legal Professionals, Medical Professionals, Architects, Wholesalers, Smaller or Custom Manufacturers, Specialty Contractors, Information Technology Companies & Other Services

Level two relationships are comprised of stable businesses with good financial track records. Revenue is generally between $500,000 and $5,000,000 with a potential lending relationship between $250,000 and $2,500,000. Advantages include significant deposits, good referral sources to similar businesses, and the need for only basic loan products and deposit services with some customization on certain deals. The disadvantages are that these are highly prized relationships which are difficult to solicit and require much pro-active marketing. The business owners expect quick turn-around and a feeling of preferential treatment. Competition from regional and community banks for these borrowers is intense.

Level Three – Large Manufacturers, Real Estate Developers & Contractors, Hotels & Motels, Residential Builders, Large Contractors, & Real Estate Investment Properties

These borrowers have revenues between $500,000 and $30,000,000 with a potential lending relationship of $1,500,000 to $25,000,000. Advantages to these loans include minimal operational costs as the loan sizes are larger, relationships are comprised of experienced individuals with many potential projects available for temporary or permanent financing, and good (but not significant) deposits. Disadvantages include the difficulty in getting an accurate picture of the true financial strength as borrowers tend to "splinter" their financial assets & investment properties into numerous corporations & holding companies, the projects tend to have a speculative or non-demonstrated component to the primary source of repayment requiring specialized knowledge by the decision makers on the loan committee, borrowers are usually hesitant to provide full financial disclosure, and borrowers are very interest rate and fee sensitive with limited loyalty to the credit union.

Level three loan requests are usually transaction-based and may not necessarily provide long-term stability to the lending portfolio (especially for construction only

loans to developers, large contractors, and builders). They represent higher risk and require specialized lending expertise to identify, analyze, structure and mitigate the credit and documentation risks. Level one and two type relationships provide less risks and more stability to the portfolios. Most loan participation opportunities from national commercial brokers tend to be level three type transactions.

It should be noted that the existing NCUA regulation section 723 correctly seeks to minimize the risk from level three type transactions but while doing so also impairs the ability of credit unions to be competitive on level one and two type relationships.

Standardized Loan Products

As operating efficiencies and credit/documentation risk are primary concerns in offering member business loans, Cypress has worked with its owner credit unions to create standardized loan products. While it is acknowledged that some transactions will require customized underwriting and loan structuring, such instances are not common practice.

The following loan products provide our credit unions with a common basis for meeting the financing needs of their member businesses while minimizing credit risks and simplifying portfolio monitoring:

Lines of Credit - business credit for short-term and seasonal needs such as trade discounts, carry receivables, purchase inventory, seasonal needs, & working capital. Repayment is interest only monthly with principal due upon demand or maturity. The principal balance on the line is expected to revolve as the member business uses it for the purposes stated above.

Equipment & Term Loans - business credit for longer-term needs such as property & leasehold improvements, debt restructuring, equipment purchases, and permanent working capital. Repayment is from monthly principal & interest payments with a maximum term/amortization up to 84 months when secured and up to 60 months when unsecured. The term/amortization provided is matched to the purpose or the useful life of the equipment or asset being financed.

Commercial Mortgage - purchase or refinancing of owner-occupied commercial real estate. Repayment is from monthly principal & interest payments with a maximum term of 15 years and maximum amortization of 30 years. (Owner-occupied is defined as being at least 50% occupied by the borrowing corporation or affiliated operating company).

SBA 504c Commercial Mortgage – purchase of owner-occupied commercial real estate, business expansion or equipment financing. Repayment is from monthly principal and interest payments with a minimum term of 10 years and a maximum

amortization of 30 years. The credit union finances 50% of the transaction and the SBA/CDC finances 40%. The borrower contributes 10% equity.

Investment Mortgage - purchase or refinancing of non-owner occupied commercial or residential real estate as well as development financing. Repayment is derived from monthly principal & interest payments (when financing a stabilized investment property) or from the sale of the underlying asset (real estate acquisition & development loans or commercial/residential real estate financing). Terms do not exceed 15 years with a maximum amortization of 30 years. (Non-owner occupied is defined as being less than 50% occupied by the borrowing corporation or affiliated operating company OR fully leased to a non-related entity or entities).

Vehicle Loan - financing of new and used cars, vans, SUVs and light trucks. Repayment is from monthly principal & interest payments with a maximum term/amortization up to 84 months.

Business Credit Card - business credit for company travel, entertainment, and miscellaneous business expenses.

Items for Consideration by NCUA Board

Listed below are the items being commented on by the Cypress Group:

1) Loan-to-Value Ratio Requirements

   The existing MBL regulation requiring a maximum loan-to-value of 80% on all MBLs is too general and is having a significant impact on the ability of credit unions to be competitive. By applying the requirement to all MBLs, the NCUA does not differentiate between the credit risks associated with the primary source of repayment, the different loan products, the type of relationship (see Business Lending Philosophy above), or the various types of collateral.

   The following examples provide real life scenarios where the "one size fits all" LTV requirement impacts the credit union's ability to compete:

   Example #1:

   A well-established medical practice requests a $160,000 equipment loan to purchase a new X-ray machine for the practice. The medical practice generates a very strong cash flow from operations and the owners have strong personal financial positions. The loan officer from credit union A has an opportunity to compete for the deal but must notify the borrower up-front

that the NCUA requires 20% down on the transaction. As the borrower already knows that he can easily get 100% financing from the community bank down the street, the loan officer from credit union A is eliminated from consideration.

Note: It may be possible for the loan officer to offer the medical practice an equipment loan for 80% of the purchase price and an “unsecured” term loan for the remaining 20% of the purchase price but then the borrower would have two separate loans with two sets of documentation and two monthly payments. This structure will also unnecessarily use up a portion of the $100,000 unsecured maximum that credit union A is allowed to lend to them (even though in reality we are fully secured by the X-ray machine). This ties the loan officer’s hands with any future loan opportunities that require unsecured lending.

The medical practice is a very desirable level two type relationship (see Business Lending Philosophy above) that would add strength and stability to the credit union’s business loan portfolio but we are not able to provide acceptable LTV terms for this type of transaction. *This is a very common occurrence for equipment and term loan financing with level one and level two type relationships.*

Example #2;

A wholesaler of electrical and plumbing supplies is experiencing strong growth and needs to double the size of his owner-occupied warehouse. The existing commercial mortgage with the credit union is $300,000 and the building has a current “as-is” appraised market value of $400,000. He needs a construction / permanent commercial mortgage for an additional $500,000 for a total of $800,000. After construction, the warehouse will have an “as-completed” appraised market value of $1,000,000. The loan officer from credit union B is in a good position to get the new loan due to the established relationship. As the building size is being doubled, the loan request qualifies as a construction loan under the NCUA interpretation letter defining construction loans. The loan officer therefore needs to explain to the business owner that she can only finance 75% of the total “as-completed” appraised value during the 9-month construction period but then can increase that to 80% once the building is completed and the mortgage becomes permanent again. However, during the 9-month construction period, the borrower will need to contribute the extra 5% ($50,000) as cash equity. The borrower looks at her in confusion and does not understand why the difference. The loan officer tries to explain the thought process behind the regulation by talking about the “risk of non-completion” and such but the borrower instead goes to the community bank around the corner where he can get 80% for both the construction and permanent portions.

Note: Even though this is a solid, level two type relationship with a strong, established financial track record and significantly less risk than a level three real estate construction development deal, the credit union is not able to offer any flexibility on the 75% construction / 80% permanent conundrum.

Example #3;
A paving contractor with an established relationship at credit union X has recently won a $400,000 contract with the State of Florida to pave a two mile stretch of road. This is the largest contract that the paving contractor has received to date and he is very excited about this growth opportunity. If he performs this job well, he can obtain additional state contracts. He approaches his loan officer at the credit union and asks for a $200,000 term loan for 12 months to purchase the asphalt for the contract. The loan officer knows that the credit union cannot take the contract as collateral because the State of Florida does not recognize third-party liens on state government contracts making the loan request basically unsecured. While the contractor is willing put a second mortgage on his house as collateral the excess equity (when margined at 80%) is only $80,000. This leaves $120,000 unsecured. The business loan committee has had very good experience with this member previously and is willing to approve the loan with the unsecured portion but cannot do so as the NCUA unsecured cap is $100,000 to any one relationship. The contractor has $40,000 in business deposits but needs these funds to complete the contract and cannot use any to put down on the loan. The credit union cannot help this member.

Note: From a credit risk standpoint, this is an attractive loan opportunity. The contract is with a government agency, the borrower has a vested interest in the transaction as demonstrated by his willingness to provide a second mortgage on his personal residence, the credit union has very good experience with this member, and the loan term is only for 12 months. However, because of the 80% LTV requirement and the $100,000 unsecured cap, the CU had to pass on the request.

In its review of the existing MBL loan-to-value ratio requirements, the Cypress Group asks the Board to allow for flexibility greater than 80% when the loan request represents equipment financing, term financing, owner-occupied commercial mortgages, and owner-occupied construction/perm mortgage financing. The 80% cap is uncompetitive for these types of loans. We also ask the Board to make an allowance to solve the 75% / 80% conundrum when financing owner-occupied construction / perm commercial mortgages as illustrated in example #2 above.

We believe the existing 75% construction loan LTV requirement is more appropriate when applied specifically to real estate development loans, land

acquisition & development loans, residential & commercial speculative construction, and construction of investment properties which entail significantly higher risks.

Note: Although the NCUA provides an allowance for LTV ratios of up 95% when it "is covered through private mortgage insurance or equivalent type of insurance…" there are currently no companies and no established marketplace in the United States that provides such insurance on commercial properties for lenders. It is limited to residential consumer mortgages and not commercial mortgages or equipment/term loans. And given the recent events with residential private mortgage insurance (PMI) companies during the current housing market downturn, it is unlikely that options for insurance will improve in the foreseeable future.

2) Business Vehicle Loans

As currently defined in Section 723.7(e) of the NCUA Rules & Regulations, a credit union may offer vehicle loans without respect to the 80% loan-to-value ratio requirement provided that the vehicle is a car, van, pick-up truck, or sports utility vehicle and not part of a fleet of vehicles.

This definition is very clear until you get to the part concerning a "fleet of vehicles". In order to receive clarification on the definition of a "fleet", the Cypress Group requested an interpretation from our NCUA Regional Office in Atlanta in a letter dated September 29, 2005. Our request was forwarded to the NCUA National Office and we received a response from General Counsel Sheila A. Albin on December 8, 2005. As defined in the interpretation letter, the definition of a fleet is "a group of two or more vehicles operated as a unit to produce income". Ms. Albin further stated that the intent of the NCUA Board in its definition was further clarified in "that a fleet of vehicles is not included the vehicle exception to the LTV requirements because, when a business requires the use of a fleet of vehicles, it is likely these vehicles will depreciate far more quickly than vehicles used for personal use or a combined personal/business use."

In other words, the NCUA wanted to recognize the risk associated with "high mileage" business vehicles used in the day-to-day operations of the business. Therefore, they required that such vehicles not exceed an 80% loan-to-value ratio.

Accordingly, when financing a business vehicle that does not serve as an integral necessity to "produce income" or will not incur "high mileage" such as the owner's car(s), spousal car(s), and general business vehicles not used as sales vehicles or operational vehicles, it is possible to finance up to 100% of the purchase price. When used as a primary sales or operational vehicle,

the financing is limited to 80% except if it is the first vehicle being financed for the company and used as a primary sales or operational vehicle wherein the credit union can finance 100%.

The real world effect of this regulation is to create a hodge-podge of lending challenges that must be clarified and probed with the member before we can give them a straight answer on how much we can finance (see examples below).

The existing NCUA requirement places the credit unions at a significant competitive disadvantage when offering business vehicle loans as the following examples illustrate:

Example #1;

Johnson's Air Conditioning Repair, Inc. has its business deposits at credit union A. The company needs two new vehicles for the business and Mr. Johnson asks the branch manager at the credit union to seek approval for them. The credit union already has one business vehicle loan with Johnson's Air Conditioning Repair which it financed at 100% six months ago. When the underwriter receives the request for the two new vehicle loans, she must ask the branch manager to go back and ask the member exactly how he is planning on using the vehicles. The underwriter needs to determine if the vehicles will be used to "produce income" and therefore incur high mileage during their daily use. Mr. Johnson responds that his HVAC technicians will use them for customer repairs. The branch manager and underwriter are then placed in a position of requiring the member to contribute 20% down on each vehicle. Mr. Johnson does not understand why when credit union A already financed a similar vehicle at 100%. He is irritated and gets his loans at the dealership instead which has no such restrictions.

Example #2;

The owner of a well-established law practice wants to buy two new Lexuses and gives a quick call to his loan officer at credit union X to get the vehicles financed. He explains to the loan officer that the vehicles will be owned by the legal practice to take advantage of the depreciation for tax purposes. The loan officer cannot quickly process the loan request without first inquiring about the use of the cars and how they relate to the business. The borrower is annoyed at such probing questions but explains that the vehicles are gifts for his twin daughters who recently graduated from college and will begin work at the law practice. The vehicles will be used for visits with clients. The loan officer then explains that the NCUA allows 100% financing on one of the Lexuses while the second one needs a down payment of 20%. The lawyer tells the loan officer that he has $750,000 in deposits in the credit union and

asks if he still has to put down 20%. The loan officer answers that because the vehicles are used to "produce income" and will most likely incur excessive mileage, federal regulations require the 20%. The lawyer then gets really annoyed and hangs up on the loan officer. He finances the vehicle through the dealership and the next day he instructs his accountant to move all deposits from credit union X to the regional bank around the corner.

A more prudent approach to mitigating the "high mileage" risk would not involve limiting the loan-to-value ratio but instead matching the term of the vehicle loan with the expected useful life of the vehicle. If a car is being used by a salesman as his primary transportation between clients then its useful life is significantly less than the normal five to seven years. Therefore, the term of the loan should be less than five years. Limiting the loan-to-value ratio does not serve any purpose in this case because the credit union could still finance the vehicle for seven years at 80% loan-to-value but after three years its useful life is expended and its collateral value is minimal. But the member still has four years worth of loan payments to make.

The Cypress Group asks the Board to eliminate the inclusion of a "fleet of vehicles" when defining the 80% LTV requirement on business vehicle loans to provide the credit unions with a more competitive product offering relative to banks and dealer financing

3) Prepayment Penalty

Section 701.21 (c) (6) of the NCUA rules and regulations currently prohibit federal credit unions from imposing pre-payment penalties on all loans. It is understandable given the desirability to serve those consumer markets that are under-served by banks and other financial institutions. Charging consumer pre-payment penalties would represent an opportunity for taking advantage of those with less financing opportunities. Such evidence is in abundance with the current sub-prime mortgage crisis.

However, when applied to business lending, prepayment penalties provide two benefits:

a) It serves as a negotiating mechanism to prevent level two and level three type relationships from using the credit unions as temporary financing while seeking a more attractive rate or waiting for an improvement in the overall rate environment thus allowing the credit union to better manage their MBL portfolio.
b) More importantly, by having the flexibility of imposing a prepayment penalty on member business loans, the credit union will be better able to compete on pricing. Many favorable commercial and investment

mortgage opportunities have been lost by the Cypress credit unions due to pricing.

For example, credit union C has approved a commercial mortgage for the purchase of an office condominium by an information technology company. They are competing directly with a community bank and have to offer a low fixed rate for 10 years in order to get the deal. The community bank is offering 6.5% fixed for a ten-year period. They can offer such a low rate because they have various methods to help mitigate the interest rate risk which include interest rate swaps, sophisticated matched funding of assets & liabilities, and the use of prepayment penalties.

While discussing the competing offer in loan committee, the CFO of credit union C cannot justify such a rate for that period of time. However, if she were able to impose a prepayment penalty on the credit union's offer to the IT company, she could offset the risk while still maintaining the yields needed for the overall MBL portfolio. In the event the borrower refinances with another institution, she knows that credit union C will be compensated for the risk taken and she will be more inclined to allow the lower rate.

The Cypress Group would ask the Board to give consideration to eliminating the ban on prepayment penalties for member business loans to allow for better interest rate management risk and competitiveness.

4) $100,000 Unsecured Cap on MBLs

It is unclear as to the NCUA Board's thought behind the $100,000 cap on unsecured lending to any one relationship but it is presenting challenges in the credit unions' ability to compete for desirable level one and level two type relationships. While it is always desirable to obtain strong collateral to support a loan request, there are favorable loan opportunities that occasionally call for unsecured lending or acceptance of collateral as an "abundance of caution". In addition to the examples provided in comment #1 above (Loan-to-Value Ratio Requirements) the following example also demonstrates this challenge:

Example #1;

A medical doctor has an opportunity to buy into a medical practice as one of its existing five owners is retiring. The purchase cost for the ownership share is $300,000 and will be repaid over five years. The primary source of repayment will be the personal income of the doctor which is approximately $500,000 annually. The doctor's personal financial position is very strong with minimal personal debt, $400,000 in personal liquidity and a credit score above 750. There are a number of financial institutions competing for this

loan as it is extremely desirable from a relationship standpoint. However, due to the existing NCUA cap on unsecured lending, the credit union must ask the doctor for at least $250,000 in collateral (to obtain an 80% LTV on the $200,000 secured portion). This effectively places us on an unlevel playing field relative to the banks and locks us out from consideration.

Note: As mentioned previously, the existing restrictions in section 723 serve to help mitigate the higher lending risks of level three type relationships (see Business Lending Philosophy above) but have the effect of also hampering the ability of the credit unions to obtain desirable level one & level two type relationships as evidenced by example #1 above.

It is the request of the Cypress Group that the NCUA Board provide additional flexibility to exceed the $100,000 unsecured cap when a relationship has minimal credit risk and/or provides significant mitigating factors to offset the unsecured risk. This will allow credit unions to compete more effectively for lending relationships to professionals and well-established member businesses not involved in higher risk real estate development, land acquisition & development, residential & commercial speculative construction, or investment properties .

5) Experience Requirement and CUSO Activities

In addressing the NCUA two-year experience requirement as stated in Section 723.5(a), it is important to understand the various ways in which credit unions currently underwrite & document business loans as well as the TYPE of loan requests they are considering. As with the LTV requirements mentioned above, a "one size fits all" approach does not take into account the variations in risk of different transactions.

If a credit union is giving consideration to basic level one & level two type relationships (see Business Lending Philosophy above), a two to five year experience level would most likely be sufficient to identify, analyze, structure and document risks. However, if a credit union is giving consideration to more complicated level two and level three type transactions or any type of construction lending, the experience level should be greater OR actually related to the type of transactions being considered. In those cases, a four to seven year requirement of actually having handled these type requests would be more desirable. The person or persons satisfying the experience requirement need to be familiar primarily with the underwriting, loan structuring, documentation and portfolio maintenance functions. Sales experience in and of itself does not help to protect the credit union from undue risk.

As concerns the ability of the credit union to satisfy this requirement, it is necessary to differentiate between the methods available to credit unions in

their attempt to build stable and profitable MBL portfolios. The following options appear to represent the majority of practices being followed:

a) Develop the sales, underwriting, documentation, servicing and portfolio maintenance capability in-house.

Advantages
- No conflict of interest as all functions are in-house and subject to standard “separation of duties” (i.e. the loan officers and those directly compensated for loan volume are not involved in the approval process).
- Ability to more easily incorporate business lending into the CU’s existing lending culture.
- As the business services area is an in-house cost center it can help develop long-term expertise across all areas of the credit union.

Disadvantages
- Start-up and operational costs for this option are expensive.
- Costs are impacted by the need to hire experienced sales officers and experienced credit staff.
- Availability is primarily limited to the larger credit unions.

b) Utilize an outside CUSO (with no CU ownership) for underwriting, documentation, servicing and portfolio maintenance. The sales function can either be handled through loan officers employed by the CUSO or through branch managers and loan officers hired by the credit union.

Advantages
- Eliminates the need for a large up-front cash expenditure and allows the credit union to “grow” into business lending at its own pace.
- Provides hired expertise to assist in assessing, minimizing and structuring risk.
- Allows smaller credit unions to meet the needs of their member businesses affordably as they usually pay per loan request.

Disadvantages
- The CUSO has limited incentive to help the CU build expertise in-house for business services due to its non-ownership position.
- Reliance upon the CUSO for loan solicitation and loan recommendations may not allow the CU to create long-term value in-house for its members.
- As the CUSO operates as a profit center, it may face conflict of interest scenarios unless it is certain to maintain proper controls.

- Unless the credit union has an experienced internal loan committee, there is no one in-house to double-check the loan recommendation of the CUSO.

c) Utilize a CUSO (with full or partial CU ownership) for underwriting, documentation, servicing and portfolio maintenance. The sales function can either be handled through loan officers employed by the CUSO or through branch managers and loan officers hired by the credit union.

Advantages

- Eliminates the need for large up-front cash expenditures. Recurring annual costs are minimized through sharing with other CU owners.
- Provides CU employed (indirectly) expertise to assist in assessing, minimizing and structuring risk.
- Allows various sized credit unions to join together to meet the needs of their member businesses affordably and to share best practices amongst themselves.
- As the CUSO is owned by the credit union it functions essentially as an in-house cost center and therefore has an incentive to help develop long-term expertise across all areas of the credit union.

Disadvantages

- The CUSO must get all the CU owners to agree to common underwriting, documentation and portfolio maintenance standards to ensure operating efficiencies.
- Reliance upon the CUSO for loan solicitation and loan recommendations may not allow the CU to create long-term value in-house for its members.
- As each CU owner will progress at its own pace the CUSO needs to ensure that it is not favoring one of its CU owners to the expense of other CU owners.
- If the CUSO also performs work for non-owner CUs, it may present conflicts of interest as the CUSO attempts to maximize profit from the non-CU owners for the benefit of its CU owners.

d) Rely upon corporate CUs, larger CUSOs, national loan brokers or other credit unions for business loan participation opportunities.

Advantages

- Eliminates the need for up-front cash expenditures or recurring annual costs to build sales, underwriting, documentation, servicing, or portfolio maintenance functions.
- Allows a CU to diversify its loan portfolio by geographic location, industry type, loan type, and credit risk.

- Provides an additional avenue to generate returns on assets.
- Minimizes operational costs internally.

Disadvantages

- Most loan participation opportunities tend to be higher-risk level three type transactions (see Business Lending Philosophy above) or special-use facilities (churches, restaurants, shopping centers, etc.)
- Reliance upon the originating source to accurately identify, assess, structure, and mitigate risk.
- Inherent conflicts of interest between the sales and underwriting sides of the originating source especially if the originating source does not have a vested interest by keeping a large portion of the loan on its books (applies primarily to national brokers).
- Significant due diligence required by the CU through in-house expertise or outside review by disinterested third party engaged by CU.
- No long-term value creation for the credit union or its business members.

It is the opinion of the Cypress Group that any solution to the uncertainty mentioned by the NCUA as to what role CUSOs may play in providing the required expertise to credit unions must take into account the various methods, ownership structures, and conflicts of interests (or lack thereof) existing amongst credit unions and the CUSOs. A fair solution needs to allow for equal opportunities for all credit unions regardless of their size or resources. The risks associated with the various models should not be conflated into one general rule without providing the credit unions and NCUA examiners the ability to mitigate conflicts of interest in a prudent and cost-effective manner while still provide the necessary flexibility to obtain the required expertise both in-house and through CUSOs.

The Cypress Group is most appreciative of the opportunity provided by the NCUA Board to comment on the existing member business lending rules and regulations during its re-consideration of section 723.

Respectfully,

Kevin S. Dion

Kevin S. Dion
President