

Jordan, Sheron Y

From: _Regulatory Comments
Sent: Tuesday, July 29, 2008 8:42 AM
To: Jordan, Sheron Y
Subject: FW: Jim Ernest Comments on Advanced Notice of Proposed Rulemaking for Part 723"

From: Ernest, Jim [mailto:jernest@providentcu.org]
Sent: Monday, July 28, 2008 3:24 PM
To: _Regulatory Comments
Subject: Jim Ernest Comments on Advanced Notice of Proposed Rulemaking for Part 723"

Ms. Mary Rupp,

Thank you for allowing the opportunity to comment on proposed changes to NCUA rules and regulations part 723. I ask that you give strong consideration to changing the definition of a member business loan.

NCUA part 723.1 defines a member business loan as any loan, line of credit, or letter of credit where the borrower uses the proceeds for the following purposes: Commercial, corporate, or other business investment property or venture, or agricultural. Notwithstanding the few exceptions, the rule includes non-owner occupied 1-4 family residential real estate loans in the definition of member business loans.

The expertise required to originate, service, and manage credit risk for typical commercial loans is distinct and not analogous to 1-4 family residential real estate loans. The complexity of a typical borrower for each loan is different; the expertise required to underwrite the loans is not comparable, and the required management experience necessary to mitigate risk is not the same for 1-4 family residential mortgages compared to typical business loans. The business loan definition should include land, multi-family residential housing to include 5+ units, C & D loans, office, retail, and all other business purpose loans excluding investment property loans on 1-4 family residential housing. If the NCUA is not comfortable completely eliminating 1-4 family residential investment property loans from the business loan calculation, you may want to qualify the exclusion from the business loan calculation only if the underwriting of the loans conforms to standard Freddie Mac or Fannie Mae guidelines. This would help to maintain credit standards, address any loan-to-value concerns, and also provide an opportunity for liquidity to the portfolio.

Thank you for this consideration.

Jim Ernest
Executive Vice President
Provident Credit Union
800 632 -4600 ext 1-2100
jernest@providentcu.org

Provident Credit Union Disclaimer: This transmittal is intended only for the use of the individual or entity to which it is addressed and may contain information that is privileged, confidential and exempt from disclosure under applicable law. If the reader of this transmittal is not the intended recipient, or the employee or agent responsible for delivering the transmittal to the intended recipient, you are notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this e-mail in error, please immediately notify the sender by e-mail and delete this message from your computer.