

We appreciate the National Credit Union Administration (“NCUA”) Board (the “Board”) for these proposed amendments. The proposed amendments to Part 701.21, 701.22 and 701.23 of the NCUA Rules and Regulations will help the credit union industry to better serve our members and get access to more member loans. Over the last decade or so, financial innovators have disrupted lending with new technology making it faster and easier for consumers to get a loan using their smart phones. These rules will help credit unions get access to these loans and continue to better serve our members.

Lending has changed significantly over the last few years and will likely continue to change. The proposed amendments to Parts 701.21, 701.22 and 701.23 will be instrumental allowing credit unions to be nimble. We are in favor of the proposed changes and believe once these amendments to the lending rules are finalized, they will make credit unions more successful. Ultimately, this will allow better service to our credit union members.

First and foremost, the amendments to the 5% limitation on purchasing eligible obligations under Part 701.23. These changes are critical in allowing credit unions to build strong relationships with financial technology companies. This is important because credit unions need more tools to allow us to be a part of the lending system as it has evolved with the use of technology. The changes to the 5% limitation will enable more robust relationships with non-credit union originators because credit unions can purchase more member loans from third-party originators.

In addition, the amendments to the purchasing exception for credit union to credit union transactions under Part 701.23(b)(2) will help to make sure small to midsized credit unions can also gain access to these loans. This change will create a healthy credit union system. This amendment will give credit unions the ability to diversify their risk and provide much needed interest income to those that need it. It is likely that larger credit unions or CUSOs will be in a better position to develop lasting relationships with non-credit union originators; however, this amendment to Part 701.23(b)(2) will allow smaller credit unions to purchase loans from larger credit unions/CUSOs and obtain earnings they require. This amendment will also allow larger credit unions the ability to manage balance sheet risk by selling some of these loans to other credit unions without jeopardizing their relationship with a non-credit union originator.

Finally, the incorporation of a more robust and defined indirect lending program is long overdue and welcomed. While these amendments under Part 701.21 and 701.22 are not breaking new ground, they are a much-needed clarification and codification of existing NCUA interpretations.

This proposed rule is a welcomed update of the lending regulations which will allow credit unions to remain innovative and give us the ability to adapt to constantly changing lending markets. With these amendments, the Board is giving the industry more tools to survive and thrive in the financial marketplace without undue risk on the share insurance fund. It will allow credit unions to serve more of their members by connecting to members where they are doing business instead of waiting for them to come to the branch.