



May 24, 2016

Ms. Linda Jekel  
Director of Credit Unions  
Washington State Department of Credit Unions  
P.O. Box 41200  
Olympia, WA 98504

**RE: SUGGESTED IMPROVEMENTS TO WASHINGTON STATE MBL REGULATIONS**

Dear Ms. Jekel:

Thank you for allowing us to provide input on revisions to Washington's Member Business Loan ("MBL") regulations. We appreciate your openness to hear us out. Serving members, both their personal and business needs, as well as serving our communities are important and core to who we are. The purpose of our suggestions is to pave the way to improving our members' personal and business options.

- WAC 208-460-010: Member Business Loan Definition

Loans on 1-4 family residential real estate for investment purposes should be included as an exception in the definition of a Member Business Loan.

Under the federally proposed new rule these loans are not considered commercial loans but are considered Member Business Loans and thus included in the MBL cap calculation. A majority of the time these loans are made to individuals or related parties who own multiple homes as their personal investments rather than for commercial business purposes. It is difficult to be competitive with commercial banks in this market due to the additional resources required to originate and service them under the MBL rule. We believe the risks in the investment property rental market are far less than in the commercial real estate market.

We do understand there are safety and soundness concerns with 1-4 family residential investment properties but suggest, as a mitigate to overall risk to capital, credit unions be required to have loan policy guidelines and concentration limits for this specific type of loan.

- WAC 208-460-060: Collateral and Security Requirements

Unsecured loan limits should be increased to \$250,000. The current unsecured limit of \$100,000 does not allow credit unions to serve well-established businesses requesting unsecured lines. We do not expect to grant many of these in excess of \$100,000 but would like to be able to compete for business when a company's financial strength dictates we can do so in a safe and sound manner without having to request a waiver.

We would also support liens to be taken as an "Abundance of Caution" to support credit lines and other member business loan types. This lien type is occasionally used by commercial banks and would allow for additional risk mitigation.

Thank you again for your consideration. Please let us know if you would like to discuss these suggestions further.

Sincerely,

Sarah Slonsky



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