THE DELAWARE BANKERS ASSOCIATION
8 W. LOOCKERMAN STREET * SUITE 200 * P.O. BOX 781 * DOVER, DE 19903-0781
(302) 678-8600 * FAX (302) 678-5511 * www.debankers.com

July 30, 2015

Gerard S. Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

Dear Mr. Poliquin,

We believe that NCUA's recent proposal to dramatically expand credit unions' business lending is clearly "regulatory overreach" rather than "regulatory relief". Promoting the explosive growth of the credit union industry at the expense of Delaware taxpayers and Delaware's hometown banks is not good for the communities in which we live and work, nor the economy as a whole. Credit unions have enjoyed massive billion dollar federal subsidies over the years in the form of tax exemptions. These proposed changes would explode that tax subsidy and make a mockery of any concept of serving a targeted market, adding to an already unlevel playing field.

NCUA's proposal poses serious safety and soundness concerns and also jeopardizes the livelihoods of Delaware's hometown banks. NCUA's ability to supervise institutions with expanding business loan portfolios is unproven, and the credit union industry has proven ill-equipped to make such loans. In 2010, member business loans were the primary or secondary contributing factor of supervisory concern for nearly half of the credit unions with CAMEL ratings of 3, 4 or 5 that made business loans. The level of delinquent member business loans dramatically rose from 0.53% in 2006 to 4.29% in 2010; compared to a total loan delinquency of 1.74%. This indicates that credit unions, and NCUA, were ill-prepared for the additional responsibilities and risks associated with commercial lending. Losses could quickly multiply under this proposed rule.

Relaxing the regulatory standards is contrary to NCUA's charge of protecting the industry's insurance fund, and effectively places the taxpayer at risk. At least five credit unions since 2010 have failed at the hands of poorly run business loan programs, accounting for a quarter of all losses to the insurance fund during that period. Encouraging credit unions to divert funds from consumer lending to commercial lending is not a sound business strategy. Have we not learned from the ramifications that can occur during an economic downturn when loans are not properly underwritten by an ill-prepared lender?

NCUA is overstepping its regulatory reach by expanding business lending loopholes. This proposal is contrary to congressional intent to limit business lending by credit unions. In 1998, Congress made it clear that credit unions should focus on consumer lending, not commercial lending. Congress instituted restrictions on business lending deliberately: "to ensure that credit unions continue to fulfill their specified mission of meeting the credit and savings needs of consumers, especially persons of modest means, through an emphasis on consumer rather than business loans." By proposing this rule, the NCUA Board has blatantly disregarded congressional intent. NCUA should not undermine specific limitations by Congress nor expand the taxpayer liability.

Sincerely,

Sarah A. Long

Sarah A. Long
President and CEO

cc: The Honorable Thomas Carper, United States Senate
The Honorable Christopher Coons, United States Senate
The Honorable John Carney, United States House of Representatives
Members of the Board of Directors, Delaware Bankers Association