MPECU

Minnesota Power Employees Credit Union

Honorable Debbie Matz, Chair NCUA
1775 Duke Street
Arlington, VA 22314

August 12, 2015

Dear Chair Matz:

I am writing in support of the proposed changes in the Member Business Lending rule. I have worked in the financial services industry for 20 plus years, many of those on the banking side. We have found in our community that many banks will not lend to certain segments of the market. This has more to do with their portfolio holdings than the quality of the loans. Our Credit Union along with some community banks have been making loans to these businesses. In fact, we have partnered with banks so that the needs of our community businesses can be met.

The rule limiting Credit Unions to a percentage of capital seems arbitrary and does nothing to limit risk. Risk is best regulated by regulators, in our case, the NCUA, and we have seen them do this effectively for years. Regulators have demonstrated their ability to curtail lending by organizations who do not have the proper experience or training in the business lending area. Arguments by bankers that state that Credit Unions do not have seasoned, educated business lenders is also flawed as many "bank trained" employees can now be found on the Credit Union side as well. Not all bankers make good loans either as we saw in the past recession where many banks took very large losses. In addition, the cap may not allow a Credit Union to fully diversify its lending portfolio across several different business lending segments – which in effect adds risk.

Our members keep very close tabs on the loans we make and on our performance. This is significantly different from the larger banking organizations who only answer to the investment banking community and not to their shareholders or their community members. We are a SEG based Credit Union so our loans must be made to our members. The cap limits our ability to meet the needs of our own members and we must send them elsewhere when they would be better served by their own Credit Union that understands their history and business model.

Competition helps keep rates at reasonable levels. When there are arbitrary limits on competition, banks can overcharge. Paying too much for a loan can be devastating to a small business.

In conclusion, the current rules are arbitrary, do not limit risk and do not allow Credit Unions to adequately support their members lending needs. We wholeheartedly support the proposed changes to the Member Business Lending Rule.

Sincerely,

Debora S. Almirall, President and CEO
Minnesota Power Employees Credit Union

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