

**From:** [Lonnie D Parsons](#)  
**To:** [Regulatory Comments](#)  
**Subject:** Comments on Proposed Rulemaking for Member Business Loans, Part 723.  
**Date:** Monday, August 24, 2015 4:02:28 PM

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Gerard Poliquin  
National Credit Union Administration  
Alexandria DC 22314

### Comments on Proposed Rulemaking for Member Business Loans, Part 723.

Dear Gerard Poliquin:

This is my 36th year in banking and during that time, the Credit Union industry has for the most part become commercial banks in what they do.

NCUA's proposal poses serious safety and soundness concerns. Sound commercial loan underwriting is much more complicated than doing car loans which is the main area of activity credit unions do here in Colorado Springs. NCUA has not established that it is prepared to supervise institutions with expanding business loan portfolios, and the credit union industry has proven ill-equipped to make such loans. 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. In 2010, member business loans were the primary or secondary contributing factor for the 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 percent in 2006 to 4.29 percent in 2010; compared to a total loan delinquency of 1.74 percent, this is a clear indication that credit unions, and NCUA itself, were ill-prepared for the additional responsibilities and risks associated with commercial lending. Losses could quickly multiply under this proposed rule.

In addition, relaxing the regulatory standards is contrary to NCUA's charge of protecting the industry's insurance fund, and effectively places the taxpayer at risk. NCUA is willfully ignoring lessons from their history and encouraging credit unions to divert funds from consumer lending to commercial lending. If they must get into this type of lending, please put them under the same regulatory oversight we banks are under.

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 be focused 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. The other obvious fact is the income tax aspects of how each industry is treated. If large blocks of commercial business is moved away from banks, it will have a direct and immediate impact on income taxes paid.

Where would our banking industry be if our examining bodies acted as cheerleaders like the NCUA Board seems to do for Credit Unions? Bank examiners perform a needed service for oversight by making sure we stay within the guidelines and practices on sound risk identification and management.

Sincerely,  
Lonnie D Parsons  
15 West Cimarron  
Colorado Springs, CO 80903