

A. Scott Anderson

President and CEO

August 25, 2015

I am writing to express my significant concerns about the National Credit Union Administration (NCUA) proposal to expand credit union business lending. This proposed rule change is contrary to Congressional intent and, if implemented, would be detrimental to the communities and individuals who benefit from the tax revenues paid by banks but avoided by credit unions. If credit unions want to expand into functions traditionally performed by banks that pay taxes, then they should be willing to forego their tax exempt status as well.

Congress has consistently confirmed the policy position of restricting credit union business lending. The Senate Report when the current restrictions were enacted clearly states the goal of Congress: “to ensure that credit unions continue to fulfill their specific mission of meeting the credit and savings needs of consumers, especially persons of modest means, through an emphasis on consumer rather than business loans.”

Congress has been clear that credit unions should focus on consumer lending, not commercial lending.

However, the NCUA’s proposed rule change to dramatically expand credit union business lending authority shows blatant disregard to Congressional intent. The NCUA’s proposal poses serious safety and soundness concerns, oversteps regulatory reach by expanding business lending loopholes, and would negatively impact community banks’ efforts to serve small businesses.

The NCUA has not established that it is prepared to supervise institutions with expanding business loan portfolios, and the credit union industry is not equipped to make these loans. The NCUA proposal is particularly troubling because it allows limitless loan participations and states that these participation interests are exempt from the statutory cap on business lending. If credit unions begin to expand into new markets with loans that are not properly underwritten and the economy experiences another downturn, losses could quickly multiply as a result of these syndication transactions and our nation’s economy would struggle even more.

The NCUA proposal would discard or significantly weaken a series of prudential restrictions on member business lending such as loan-to-value caps on collateral used to secure loans and loan-to-a-single-borrower limits, as well as the borrower guarantee requirement. This weakening of lending standards is completely unwarranted by credit unions’ record of failed member business loans.

The NCUA has also failed to show that economic need exists to justify its sweeping proposal. A recent survey published by the National Federation of Independent Businesses found that only four percent of small business owners reported not having all of their credit needs met, a historically low percentage. In addition, only two percent of small businesses reported that obtaining credit was their main problem. Under these credit conditions, the NCUA proposal is unlikely to result in net new loans.

Rather, it would allow tax exempt credit unions to siphon business loans from taxpaying community banks. This in turn would reduce tax revenues at the federal, state, and local levels. Expanding the ability of credit unions to offer business loans will ultimately hurt those government services that receive revenue generated from traditional banking activities. Government services are subsidized by the revenue provided by the taxes paid by banks like Zions Bank.

These tax revenue reductions would directly impact the ability of governments to pay for important functions, such as education. Zions Bank operates primarily in the states of Utah and Idaho, where public education consistently struggles to get much needed funding and support. This proposed rule change will impact the quality of our public school system and will further hurt students and the quality of our work force into the future.

As a community bank, Zions Bank is dedicated to adding value by offering services and products appropriately tailored to our customers' needs. We endeavor to be conservatively entrepreneurial, nimble, innovative and energetic in creating solutions for our clients, while being judicious in our acceptance of risk. Through federally-regulated programs such as our Small Business Administration loans, we help our customers achieve their goals in a safe lending environment. Allowing further expansion of the credit union industry's activity into commercial lending while NCUA relaxes safety and soundness measures for this type of lending is a risky endeavor that undermines the ability of community banks to effectively and responsibly serve their small business customers' needs.

I strongly urge you to reconsider the statutory obligations of the NCUA and focus your efforts on reaching those for whom the credit union industry was truly created.

Sincerely,



A. Scott Anderson,

CC:

- Members of the US Senate Banking Committee
- Members of the House Financial Services Committee
- Idaho Congressional Delegation
- Utah Congressional Delegation
- Idaho Governor Butch Otter
- Utah Governor Gary Herbert
- Speaker Scott Bedke, Idaho House of Representatives
- President Pro Tempore Brent Hill, Idaho State Senate
- Speaker Greg Hughes, Utah House of Representatives
- President Wayne Niederhauser, Utah State Senate