

August 17th, 2015

AUG25'15 PM 1:39 BOARD

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

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

Dear Mr. Poliquin:

I am writing to the National Credit Union Administration today to urge you to withdraw the proposal to "modernize" the NCUA's member business lending regulation.

We are a third generation community bank in Southern Minnesota that specializes in commercial real-estate lending. Our expertise revolves around our extensive knowledge of our area, our customers and our markets. Our ability to underwrite and price this risk is directly correlated to this experience and history. Over the past few years, we have seen and experienced Credit Unions entering into commercial lending at many levels and stealing good customers by pricing and underwriting these deals in a manner that prevents us from being competitive.

Commercial lending is more complicated and requires a different skillset than consumer lending. The credit union industry has not shown that they have the requisite skills. Several different credit unions failed because of poor performance within their commercial lending portfolios. The NCUA should not be encouraging further credit union commercial lending expansion until the industry proves it has mastered that type of lending.

The NCUA has been criticized for being a "cheerleader" for the credit union industry rather than a regulator. Actions like this proposal show why you have earned that reputation. This proposal is clearly about giving the credit unions what they want so that they can continue their rapid growth, rather than ensuring that the credit unions focus on their real mission.

There are serious doubts about whether the typical credit union has the expertise to expand their commercial lending operations, either by originating more commercial loans or by purchasing participations. Credit union delinquency rates are much higher for these loans than for other types of loans. Giving the credit unions additional commercial lending authority now, and hoping that they learn how to safely and soundly make those loans as they go, is a reckless strategy.

The NCUA admits that it not prepared to regulate the credit unions if they make a significantly higher number of commercial loans. The NCUA will spend millions of dollars training examiners to regulate credit unions making commercial loans. Since the NCUA is not prepared for this type of expansion of commercial lending, the NCUA should abandon this plan and keep the credit unions focused on their real mission, serving people of modest means.

Over time, some credit unions have remained true to the original credit union model. They continue to have a tight common bond, and they continue to focus on serving the credit needs of individuals, and especially people of modest means. Other credit unions have become massive institutions serving wealthy people and corporations. Instead of limiting these non-traditional credit unions, the NCUA rewards them by giving them the additional authorities they want and by requiring no accountability with respect to their "common bond" and their true tax-exempt mission. This proposal proves why the NCUA was rightfully called a "cheerleader" for the credit union industry.

Every credit union continues to enjoy their tax exemptions, even though many of them are no longer true to the original credit union mission. There are many examples, but the California credit union that recently committed to paying \$120 million for the naming rights on a professional basketball arena is a great example of how the credit unions abuse their tax advantages. If the NCUA were a true regulator, rather than a "cheerleader" for the credit union industry, it would reign in these types of excesses.

I thank you for considering my concerns and ask you again to withdraw the proposed rulemaking for member business loans, Part 723.

Sincerely,

A handwritten signature in black ink, appearing to read "Bernie Gaytko", written over a large, stylized, and somewhat illegible signature.

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