Resurgens Bank™

August 17, 2015

AUG25'15 PM 1:33 BOARD

Mr. Gerard S. 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:

Within the thousands of communities, commercial banks are uniquely qualified to serve small business owner's commercial loan needs. Banks have invested heavily in providing thorough training to their small business lenders and have developed strong analysis tools to ensure loan portfolios are well diversified and credits are well underwritten. The banking industry has made significant enhancements in its commercial lending practices since the most recent economic downturn. These measures, along with years of experience through many economic cycles will serve to mitigate credit risk when the next economic downturn occurs.

As a commercial bank that started in 2008 in metropolitan Atlanta, we understand the importance of small business lending and its impact on our community businesses. We also recognize the consequences on both the lender and borrower of poorly structured and underwritten loans. There is no substitute for experience in small business lending. We have seen numerous examples of credit unions or a group of credit unions originating commercial loans in a manner that is not consistent with prudent underwriting principles.

NCUA's Member Business Loans and Commercial lending proposal poses serious safety and soundness concerns. 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. 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. Consider expanding on the impact of allowing an ill-prepared lender into a new market and what could occur in an economic downturn if these loans are not properly underwritten, especially given the rule's liberal allowance of loan participations could cause bad loans to be syndicated broadly.

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.

We understand the role that bank's serve in commercial lending to small business and recognize the importance of sound, experienced lending practices to ensure stable growth and enhanced employment opportunities in our communities. While we believe credit unions are well positioned to provide consumer loan products, the skills needed to service commercial customers are significantly different and require a much broader knowledge and experience base. We strongly believe that commercial loan needs are best met, and small business customers best served, by commercial bankers that understand their businesses and are prepared to carefully assess creditworthiness and appropriately price the loan accordingly. We believe that credit union commercial lending inexperience coupled with relaxed regulatory safety and soundness measures would likely result in poorly priced loans that don't reflect the overall creditworthiness of the borrower and significant commercial loan losses.

In a time when many regulations are tightened or, at least, maintained, we are at a loss at this inexplicable effort to add risk to the financial institution system. We urge you to reconsider this proposal.

Please do not hesitate to contact me directly should you have any questions and thank you for your time and consideration.

Best Regards,

Charles M. DeWitt,III
President and CEO

Gary D. Dorminey
Chairman

James M. Baker
Director

Charles S. Conklin, III
Director

William W. Guerry
Director

Joseph W. Odom, Jr.
Director

Lee F. Van Dyke
Director

cc: Representative Henry C. Johnson, Jr.
Representative Tom Price, M.D.
Senator Johnny Isakson
Senator David Purdue