

August 28, 2015

Gerald S. Poliquin
Secretary of the Board
National Credit Union Association
1775 Duke Street
Alexandria, Virginia 22314-3428

Re: Comments on Advanced Notice of Proposed Rulemaking for Part 723

Dear Mr. Poliquin:

I appreciate the opportunity to write and provide my personal perspective regarding the proposed amendments to Part 723 governing member business loans. I write from the perspective of a small community bank president and a longtime member of the Utah banking industry. Over my 36 years in banking I have witnessed the gradual expansion of many of our local credit unions. Credit unions, as they were initially chartered, provided an important role in the financial structure of our communities. They provided necessary financial resources to individuals of modest means with a common bond. For this, Congress granted tax-exempt status. This served a vital purpose and filled a specific social need.

Today, however, this defined role of credit unions has become blurred. In Utah, many of our largest and most aggressive financial institutions are credit unions. These institutions have expanded their field of membership to include all residents of the state, have constructed offices in nearly every community and in many cases have branched across state lines. They offer not only consumer financial products but are also actively pursuing commercial lending opportunities including multi-family housing, acquisition and development, non-owner occupied commercial real estate, commercial leasing and commercial lines of credit. From a consumer, developer and business person's perspective, there is no differentiation between a commercial bank and a credit union. The only distinction is the tax-exempt advantage of the credit union.

This proliferation of credit union activity into the local commercial lending market has had a direct impact on community banks. A bank our size has a very difficult time competing for consumer business given the pricing and delivery advantages available to credit unions. As such, our consumer lending portfolio is nearly non-existent. Community banks must rely heavily on commercial and small business lending. This creates significant concentration risks with the potential of overall bank safety and soundness issues. Over the years community bankers have learned to understand these risks and underwrite accordingly to mitigate them. Commercial lending has become the bank's principal driver of revenue. By allowing credit unions the ability to expand their presence in the commercial lending arena further erodes a market so vital to the survival of community banks.

In recent months our bank has lost potential commercial loans to credit unions based not just on pricing but also underwriting conditions. This has been most troubling as our underwriting over the years has proven to be very sound and has kept the Bank on solid footings. Competition is part of business and our bank has no problem competing when there is a level playing field and all competitors are required to meet the same requirements. Section 723.5- Collateral and Security provides additional latitude and flexibility to credit unions providing a distinct advantage over traditional banks with dictated regulatory underwriting standards.

In a recent meeting at the Federal Reserve, the speakers defined their role in regulating the financial services industry. They commented that a regulator, "cannot go around the law or Congressional intent". My reading of the proposed amendments to Part 723 clearly reflects a movement away from the initial purpose of envisioned by Congress when they implemented the Federal Credit Union Act and from the more recent refusal of Congress to expand commercial lending limits to federal credit unions.

It is my opinion that approval of the proposed amendments to Part 723 would have a significant and detrimental impact on the tax-paying community banks in the Utah market. The commercial lending market is being well served by the existing financial structure. Tax-paying institutions cannot withstand additional competition from tax-exempt "banks" who already enjoy many distinct advantages.

Thank you for the opportunity to express my opinion on this matter and hope my comments are helpful.

Sincerely,

A handwritten signature in blue ink, appearing to read "Robert M. Bowen", written in a cursive style.

Robert M. Bowen
President/CEO