

From: [John Engelbert](#)
To: [Regulatory Comments](#)
Subject: Comments on Proposed Rulemaking for Member Business Loans, Part 723
Date: Tuesday, July 21, 2015 3:35:00 PM

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

Mr. Poliquin:

I oppose NCUA's proposed rule which would dramatically expand credit unions authority to make member business loans and commercial lending. This proposal relaxes safety and soundness measures for this type of lending. 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 (5) 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% in 2006 to 4.29% in 2010; compared to a total loan delinquency of 1.74 %, 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.

Relaxing the regulatory standards is also 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. Prudent consideration of this expansion 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 would ultimately result in the NCUA disallowing this proposed rule. Additionally, the proposed rule's allowance of loan participations could cause bad loans to be syndicated broadly.

It is obvious that the NCUA is overstepping its regulatory reach by proposing to expand 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.

Our bank serves small business loans and accounts. The majority of our customers are small businesses, they are the lifeblood of our community and our bank. Our communities directly

benefit from a variety of small business loan packages. The NCUA's proposed rule would make it nearly impossible to compete against credit unions due to credit unions not paying income taxes. Our bank is in the 39.6%+ tax bracket. Taxpayers should not subsidize credit unions for making business loans.

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