

**From:** [Kenneth Early](#)  
**To:** [Regulatory Comments](#)  
**Subject:** Kenneth Early--Comments on Proposed Rulemaking for Member Business Loans, Part 723  
**Date:** Tuesday, July 21, 2015 5:38:48 PM

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I am writing to express my concerns over the National Credit Union Administration's proposed rule to dramatically expand credit unions' authorities for Member Business Loans and Commercial Lending. I feel that the proposal poses serious safety and soundness concerns. NCUA has not established that it is prepared to properly supervise institutions with expanded business loan portfolios, and the credit union industry has proven ill-equipped to make such loans. At least five 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 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. In addition, 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. Small businesses have been a staple of our local economy and banks have done a great job in our markets of meeting the financial needs of small business. Credit Unions do not have the expertise to make commercial loans properly, as demonstrated with the statistics above, and will ultimately jeopardize the commercial lending business as a whole. In addition if they are not regulated properly and could ultimately impact commercial lending in our markets negatively. Please refrain from allowing an expansion of credit unions' authorities.

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