



July 22, 2015

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

Dear Mr. Poliquin,

I am writing to express my concern about the impact of further expanding the credit union industry's authorities into commercial lending while their regulator relaxes safety and soundness measures for this type of lending.

NCUA's proposal poses serious safety and soundness concerns. As a regulator, 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 credit unions since 2010 have failed at the hands of poorly run business loan programs, accounting for a quarter of all the losses suffered by 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 rating 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 the 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 today.

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 specific 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.

My company is a multibank holding company that serves nine communities with populations between 2000 and 50,000 people. Each day we work with small businesses to meet their needs. In order to serve these customers we have highly experienced employees who follow sound loan underwriting guidelines to meet the needs of our customers. Our underwriting guidelines and our processes are checked regularly by regulators who have decades of experience in lending and regulatory oversight, something the NCUA does not have and cannot do. Allowing someone without the experience and the regulatory oversight to begin making loans to small business would be a mistake for both the lender and the customer. I urge you to stop this proposal.

Sincerely,

A handwritten signature in dark ink, appearing to read "Tom Pohlman", written in a cursive style.

Thomas H. Pohlman, Chairman
Ames National Corporation

Cc: Senator Charles Grassley
Senator Joni Ernst