

From: [Mike Zahn](#)
To: [Regulatory Comments](#)
Subject: Michael Zahn-Comments on Proposed Rulemaking for Member Business Loans, Part 723
Date: Thursday, July 23, 2015 3:03:01 PM

To Gerald S. Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Mr. Poliquin:

I would like to voice my opposition of credit unions expanding into the commercial lending arena. I believe the National Credit Union Administration's (NCUA) proposed rule to expand credit unions' authorities for Member Business Loans and Commercial Lending creates a safety and soundness risk, is a regulatory overreach by the NCUA, and banks, like mine, have a strong record and experience serving our small business customers' needs.

NCUA has not established that it is prepared to supervise institutions with expanding business loan portfolios, and the credit union industry is ill-equipped to make such loans. Since 2010, at least five credit unions have failed due to poorly run business loan programs, accounting for a quarter of all losses to the insurance fund. Higher CAMEL ratings for nearly half of the credit unions were attributed to member business loans. The level of delinquent member business loans dramatically rose from 2006 to 2010. Member business loan delinquency levels in 2010 reached 4.29% compared to total loan delinquency of 1.74%. This is a clear indication credit unions and the NCUA were ill-prepared for the additional responsibilities and risks associated with commercial lending.

As it relates to the NCUA overstepping its regulatory reach, this proposal is contrary to congressional intent to limit business lending by credit unions. In 1998, Congress made it very clear that credit unions should be focused on consumer lending, not commercial lending. Congress stated, "to ensure credit unions continue to fulfill their specified mission of meeting the credit and savings needs of consumer, especially persons of modest means, through an emphasis on consumers rather than business loans." By proposing this rule, the NCUA Board has blatantly disregarded congressional intent.

First Federal Savings Bank is a small community bank in Northeast Indiana. We have been serving our communities and customers for over 100 years. Our track record in small business lending is represented by our rank in the state by the Small Business Administration. We've consistently been a top SBA lender in the state for several years. We have the talent and the expertise to provide products and services to small business customers in our markets. We feel the financial institutions in our market are well equipped to continue to provide small business solutions to businesses in our area without credit unions expanding into this line of business.

I strongly recommend the NCUA reconsider this proposed rule as it jeopardizes the safety and soundness of the credit union industry, is contradictory to the credit union mission established by Congress, and would have credit unions enter into a market already served by well experienced providers.

Thank you for taking time to evaluate my concerns and please feel free to contact me with questions you may have.

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