

233 South 13th Street, Suite 700
Lincoln, Nebraska 68508
Phone: (402) 474-1555
Fax: (402) 474-2946
www.nebankers.org



July 23, 2015

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

Re: Comments on Proposed Rulemaking for Member Business Loans, Part 723

Dear Mr. Poliquin:

I submit this comment letter on behalf of the Nebraska Bankers Association (NBA) to express our opposition to the proposed rulemaking for Member Business Loans, Part 723. The NBA is a professional non-profit organization representing 193 of the 199 commercial banks and nine of the 10 savings associations in the state of Nebraska.

The opposition of the NBA to the proposed rule is predicated upon the following:

- 1. The NCUA proposal poses serious safety and soundness concerns.** We do not believe the NCUA has established that it is prepared to supervise institutions with expanding business loan portfolios, and the credit union industry has proven to be ill-equipped to make such loans. Poorly run business loan programs have resulted in the failure of a number of credit unions since 2010, accounting for a quarter of all losses to the insurance fund during this 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 has risen dramatically since 2006, a clear indication that credit unions, and the NCUA itself, were ill-prepared for the additional responsibilities and risks associated with expanded commercial lending activities. We fear that losses would increase significantly if the proposed rule is to go into effect.

As a general matter, relaxing regulatory standards applicable to commercial lending activities of credit unions is contrary to NCUA's charge of protecting the industry's insurance fund. This action will essentially place taxpayers at risk. The NCUA should pay heed to lessons learned from the past and refrain from encouraging credit unions to divert funds from consumer lending to commercial lending. Expanding the authority of

lenders that are unprepared to enter into a new market, particularly during the next inevitable downturn in the economy, will have a significantly adverse impact on the economy and on individual consumers.

2. **NCUA is overstepping its regulatory reach by proposing to expand business lending loopholes.** This proposed rule is contrary to congressional intent and current law which limits business lending by credit unions. In 1998, Congress clearly determined that credit unions should be focused on consumer lending, not commercial lending. Restrictions on business lending by credit unions were deliberately instituted by Congress “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.” The proposed NCUA rule would undermine specific limitations enacted by Congress and expand taxpayer liability. In addition, pending legislation, as well as legislation introduced in recent years, that would expand business lending authority for credit unions has been specifically considered and rejected by Congress, further evidencing that the NCUA proposal is contrary to legislative intent.
3. **Commercial/small business borrowing needs are being adequately addressed by the nation’s community banks.** Small business lending programs are vitally important to community banks, their customers, and the communities that they serve. Authorizing credit unions to venture into a commercial lending market for which they have inadequate experience and expertise will adversely impact small businesses and the community banks that are currently serving their borrowing needs. There is no need to interject credit unions into an area of lending which is likely to pose threats to their safety and soundness.

For these reasons, the NBA respectfully requests that the expanded credit union business lending proposal be withdrawn.

Sincerely,



Richard J. Baier
NBA President and CEO
richard.baier@nebankers.org