

South Atlantic Bank

July 23, 2015

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

Mr. Poliquin,

It is with great concern that I write to you today concerning the expanding of member business lending and commercial lending for a \$1 Trillion tax payer funded industry.

South Atlantic Bank is a \$375 million commercial oriented community bank located in the coastal sections of South Carolina serving the small to medium businesses of our communities. Business and commercial lending is our bread and butter and we have the leading experts in these fields managing this lending base. Our credit quality is exemplary due to our expert staff. This is not coincidence, but a strategic decision made by the board of directors and executive management. Our executive management has over 145 years of commercial and business lending experience. We have personally experienced the ups and downs of the economic cycles and have maintained a strong credit quality rating.

The proposals that have been put forth would not only place the credit union industry in peril, but would encourage untrained lenders to jump into a very specialized area of lending. I will further explain my positions below on each of the proposals.

1. **Widen loopholes to the member business lending cap.** Why would NCUA grant the ability to make NON-member business loans or participate with other credit unions to buy participations of NON-member business loans? Is not the definition of a credit union to serve the members of the credit union? NCUA will just look the other way and not regulate these types of loans. That is a formula for failure. The local credit union in our community has an open field of membership that includes anyone living or working in the surrounding four counties. Within the last three years, this credit union hired an inexperienced business lender and began making business loans. Within one year of this hire, the credit union sustained a \$2.0 million loss due to improper policies and procedures and not having the right personnel.
2. **Make the statutory cap meaningless.** Proposal to allow certain credit unions to exceed the member business loan statutory authority. If both the proposed business lending and pending capital rules are adopted as proposed, the statutory cap could nearly double without Congressional approval. Does NCUA have the authority to circumvent Congress? In 1998, Congress defined very clearly that credit unions should focus on

consumer lending, not commercial or business lending. Congress instituted restrictions on these types of 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." The proposing of this expansion, the NCUA board has blatantly disregarded congressional intent. Should be NCUA board continue with this proposal, please amend it to include full taxation! We are tired of supporting the credit unions with our tax dollars and they continue to get preferential tax treatment.

3. **Remove important safety and soundness checks and balances.** By eliminating the requirement for personal guarantees, loan to value limitations and collateral requirements, encourages credit unions to divert resources to financing large commercial enterprises while relaxing the safety and soundness regulations associated with such loans. This is another setup for failure. If there are no personal guarantees, what incentive do these business owners have to repay the loans? These safeguards were put in place to protect the bank or credit union. In our banking industry, even if these items were eliminated, we would continue to comply due to the safety that is gained by having these controls.

Small business lending is our primary lending platform and expanding the credit union's ability to exceed the current limitations will have a great impact on our business and the customers and communities we currently serve. We hire experts in each field of lending to ensure safety and soundness in all of our operations, especially lending. Credit unions were created to serve a defined field of membership mostly members of modest means. Credit unions were not created to serve NON-members or businesses.

I encourage NCUA to review the laws currently enacted and operate within these laws. The only changes that should be pushed by the NCUA is for taxation of the credit union industry that does not operate within the original qualifications or definition of a credit union.

I worked as an examiner of credit unions for 5 years before joining the executive staff of a large credit union with a defined field of membership. I understand the field of membership and its place in our financial structure. Community credit unions operate no different than a bank, so why should they receive these types of incentives and tax free status.

Stop the madness.



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