First State Community Bank

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,

As a community banker in Missouri I am writing in regard to the NCUA's proposal to expand credit union business lending. As an agency that is cheerleading, not supervising, a $ 1 trillion tax-exempt industry, this proposal provides credit unions with the opportunity for a large taxpayer-subsidized expansion into commercial lending. An area of business lending that each facility of our bank's branch network here in Missouri have as part of their business model, and provide this service in our local communities we serve each and every day, while at the same time we do "pay our taxes".

My bank rims the outside of the St. Louis area. The blatant disregard for the rules that govern credit union member is unbelievable. Just listen to St. Louis radio. Many credit unions openly encourage and educate the public as to how to join even though it violates the common bond doctrine. Isn't your job to enforce these rules, not help the vary institutions you govern find new ways to skirt the system?

The 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 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 in2006 to 4.29 percent in2010; 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

1801 Bedford Center Drive • Washington, MO 63090
(636) 390-4320 Phone • (636) 390-9587 Fax
fscb.com
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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.

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.

I urge you to withdraw this proposal that attempts to gain the approval of another Taxpayer-subsidized expansion into commercial lending.

Respectfully,

Scott Breckenkamp
President – Washington Market

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Cc: Representative Blain Luecktemeyer
Senator Roy Blunt
Senator Claire McCaskill