From:	Kate Maxwell
To:	"regcomments@ncua.gov"
Subject:	Charles Funk - Comments on Proposed Rulemaking for Member Business Loans, Part 723
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July 29, 2015

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

Dear Secretary Poliquin,

I am writing to express my strong opposition to the proposal to expand the credit union business lending cap. As you know, Congress instituted this cap in 1998 to restrict credit unions' commercial lending and to ensure the continued focus on consumer loans. Congress did so in order for credit unions to fulfill their mission, which is serving persons of modest means. The expansion of the business lending cap for credit unions is unnecessary, as recent surveys by the National Federation of Independent Businesses found that the lack of readily available credit is not one of the main challenges business owners face. Additionally, the proposed shift from prescriptive regulations to a principles-based standard of underwriting commercial loans effectively eliminates the safety and soundness regulations associated with such loans, which will ultimately not only hurt the credit union industry, but the very consumer the industry was supposed to serve.

Consider the local market in which our bank operates. We compete directly with the University of Iowa Community Credit Union. This credit union, through its designation as a low income credit union, was given unlimited business lending authority several years ago. This is curious for two reasons. First, the UICCU is *anything but* a low income credit union. It builds branch offices in upper income neighborhoods and this is a regulatory sleight of hand that is just plain wrong. Second, when one surveys the business landscape in Eastern Iowa there are many commercial banks bidding on all new, viable commercial loans. In other words, increased business lending from institutions that were never intended as commercial lenders is unnecessary. The U.S. Congress has not chosen to grant your industry's requests for increased business lending and for the NCUA to use its powers in this manner is a clear violation of protocol as well as common sense.

Raising the statutory cap on credit union business lending and clarifying that loan participations to non-members are exempt from the cap will encourage credit unions to focus on originating and participating in large and risky commercial credits. By doing so, credit unions will divert their resources away from fulfilling their mission of serving the consumer of limited means. At a minimum, NCUA should require credit unions to make commercial loans to businesses located in low-income census tracts.

In addition to allowing credit unions to lose sight of their mission, NCUA is proposing to relax the safety and soundness regulations associated with commercial loans by moving to a principles-based standard of underwriting such loans. Under the proposed rule credit unions would be able to determine their own loan-to-value limitations and collateral requirements and could decide whether or not to require personal guarantees for a business loan. Historically, credit unions have proven ill equipped to generate safe and sound commercial loans and NCUA has proven unable to supervise and regulate credit unions' expanding commercial credit portfolios. Almost a quarter of all losses to the insurance fund since 2010 can be attributed to losses in commercial credit portfolios, and the relaxation of underwriting standards could lead to the rapid multiplication of such losses in a period of economic downturn. Promoting the growth of the credit union industry is contrary to NCUA's charge of protecting the industry's insurance fund and effectively places the taxpayer at risk.

Through recent years NCUA has shown its efforts to promote the expansion of the credit union industry. Lobbying members of Congress to promote growth of the industry NCUA is charged with regulating is contrary to its mandate. Promoting regulatory relief for credit unions should not mean promoting explosive growth at the expense of tax payers, community banks, or the communities those banks serve. Raising the cap on credit union business lending and combining this with relaxing commercial credit underwriting standards will lead to credit unions expanding into risky commercial loan portfolios and doing so on the backs of US taxpayers. I urge NCUA to reconsider its statutory obligations and focus its efforts on reaching those for whom the credit union industry was truly created.

Sincerely,

Charles N. Funk
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