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July 25, 2015

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

Dear Mr. Poliquin:

I am writing you to express my **serious** concerns in regards to the NCUA's proposed rule to dramatically expand credit unions' authorities for Member Business Loans and Commercial Lending.

The NCUA's proposal poses serious safety and soundness concerns. 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 in 2006 to 4.29 percent in 2010; 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 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.

The NCUA is overstepping its regulatory reach by expanding business lending loopholes. 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



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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.

Small businesses are extremely important to our bank’s overall strategy. The majority of our lending consists of commercial real estate (and non-real estate) lending to small businesses both in our primary region (the Great Lakes Bay Region of Mid-Michigan) and throughout the state of Michigan. Expanding the credit union industry’s authorities into commercial lending would have a severe detrimental impact on the ability to serve our customers. Quite frankly, the additional competition is not necessary as there is plenty of bank and non-bank competitors serving the small business market already. Small business customers are already being provided with extremely favorable terms and conditions, including low interest rates. More competition could also serve to counteract banking and credit union industry concerns and cause financial institutions as a whole to seek additional compromise on interest rates, stretch amortizations and maturities, reduce collateral and personal guarantee requirements, and more. The banking regulators, including our primary regulator (the Office of the Comptroller of the Currency) have correctly been echoing these concerns and cautioning banks to make sound commercial lending decisions. Otherwise, we all risk repeating the same mistakes of the past, causing undue pressure on banking and credit union insurance funds, and passing along additional costs to customers and taxpayers. Expanding credit union commercial lending would serve to undermine safety and soundness concerns.

Thank you for the opportunity to express my concerns and hopefully you do NOT expand credit unions’ authorities for commercial lending.

Respectfully,

Rick A. Rosinski
Chief Operating Officer

CC. The Honorable John R. Moolenaar, The Honorable Daniel T. Kildee, The Honorable Gary Peters, The Honorable Debbie Stabenow



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