Ruth F. Johnson
144 Kingwood Drive
West Jefferson, NC 28694

AUG04'15 PM 2:03 BOARD

July, 27, 2015

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

Re: NPR for Member Business Loans, Part 723

Dear Board, National Credit Union Administration

It was with some alarm that I read the Administration's proposal to give Credit Unions expanded commercial lending authority. Commercial lending is very specialized and it takes a staff a great deal of industry knowledge and experience to make safe and sound commercial loans, especially large ones. Think back to the 1980s when savings and loans were given expanded lending authority and hired commercial bank loan officers to generate large commercial portfolios. It is the goal of every commercial loan officer to get his loans made. As a result, it is incumbent upon the organization to have a thoroughly trained, knowledgeable and independent credit department that can objectively recognize the pitfalls and point them out to approving authorities (like boards of directors) so they can comprehend the risks. Furthermore, by eliminating various safety and soundness standards (like the requirement for personal guarantees, loan to value limitations and collateral requirements, the Administration is encouraging unsafe lending practices that could result in huge losses for the credit union industry.

As a former savings and loan examiner and supervisor, with twenty years' experience in that capacity, I'm concerned that the NCUA has not yet developed the expertise that it takes to supervise institutions with rapidly expanding business loan portfolios. One need only look at the credit unions' track record for business lending. The level of delinquent member business loans has risen dramatically as compared to total loan delinquencies. Losses could multiply quickly under this proposed rule and end up causing large losses for the insurance fund.

The NCUA is charged with protecting the credit union industry's insurance fund. Please don't ignore the lessons of history by encouraging your members to divert funds from consumer lending to commercial lending. The impact of allowing poorly prepared lenders into new businesses could adversely affect any economic recovery, especially given the proposal's liberal allowance for loan participations that are not properly underwritten.

Finally, the regulatory agencies for federally insured banks have developed many safeguarding rules and regulations over the years in an effort to ensure business loans are made in a prudent manner. To allow the credit unions to generate loans without these safeguards would severely impact the banks' ability to serve their customers. This could have a devastating impact particularly in small or rural communities.

Sincerely,

Ruth F. Johnson

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PC: Senator Tom Tillis
DSOB – Dirksen Senate Office Building
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PC: Representative Virginia A. Foxx
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