

**From:** [Ann S. Hughes](#)  
**To:** [Regulatory Comments](#)  
**Subject:** Comments on Proposed Rulemaking for Member Business Loans, Part 723.  
**Date:** Wednesday, August 12, 2015 1:25:16 PM

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Gerard Poliquin  
National Credit Union Administration  
Alexandria DC 22314

### Comments on Proposed Rulemaking for Member Business Loans, Part 723.

Dear Gerard Poliquin:

I am writing due to concerns about the NCUA proposal now under consideration. As the director of a community bank i am greatly concerned that expanding the limits on business lending by credit unions creates yet another assault on community banks that have served small businesses so well for so long - and does so when the track record of credit unions is substandard to that of community banks.

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.

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 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.

Credit unions continue to expand well beyond the limits under which they were created. They

do so without a proven track record and with an unfair competitive advantage with regard to taxation. Community banks have long served their local businesses and continue to do so in spite of the pressures of this stagnant economy and burgeoning regulatory burdens. The expansion sought by NCUA is unfair and should be flatly and completely denied.

Sincerely,  
Ann S Hughes  
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