From:	Gary Propheter
To:	_Regulatory Comments
Subject:	Comments on Proposed Rulemaking for Member Business Loans, Part 723.
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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:

Once again the NCUA delves into the unknown in search of risk to helps its few wealthy and aggressive 'clients' expand into business lines the NCUA itself is unprepared to manage or regulate. Remember your foray into the Corporate Credit Union business and how it crippled your insurance fund? The NCUA deposit insurance fund was the only one that needed to borrow money from the Treasury to ensure its depository fund was liquid. Now you want to try it again!

NCUA's proposal is neither sound or reasonable. Not only has the NCUA shown that it is not prepared to supervise institutions with expanding business loan portfolios, the CU 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. One of our local CUs nearly failed during this period, at one point having a negative net worth of nearly 5% of assets. We understand that only a very generous calculation of 'collateral' in a few big bad Ag loans kept them alive. And this CU was already 'experienced' with commercial lending and has over 25% of its loans in business lending. 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. If you have a historical bent, look back to the 1980s and see how the FSLIC's loosened lending standards and failure to understand how to regulate business lending led to the S&L crisis. The NCUA is repeating history instead of learning from it. In 1998, Congress made it clear credit unions should focus on consumer lending. Congress instituted restrictions on business lending "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 new rule, the NCUA Board is blatantly disregarding congressional intent and intentionally expanding taxpayer liability.

The NCUA should focus on being a regulator and help the CUs it oversees to conform to law and regulation and to manage risk. Your regulator peers and the rest of the financial services industry see the NCUA as a cheerleader and that significantly hurts your credibility.

Sincerely,
Gary Propheter

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