From:	Jeremy Bishop
To:	_Regulatory Comments
Subject:	Comments on Proposed Rulemaking for Member Business Loans, Part 723.
Date:	Wednesday, August 12, 2015 1:38:02 PM

Gerard Poliquin
National Credit Union Administration
Alexandria DC 22314

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

Dear Gerard Poliquin:

My name is Jeremy Bishop, and I'm a Branch President at FirstCapital Bank of Texas, N.A. in Midland, TX. I've been a banker since I graduated with my finance degree over 9 years ago. I've learned many things over my career, and there's plenty more for me to learn. However, one of the most critical things I've learned in my career is the importance of managing/reviewing a commercial loan portfolio. Banking is more than just collecting deposits and making loans. We have a responsibility to our customers to provide them with good service, which includes being a "partner" in their business and giving sound advice regarding the financial side of their business and allowing the customer to focus on what they do best - sell their products and/or service their customers. Contrary to what some Wall Street folks will say, community banks have the expertise and infrastructure to properly monitor credits and truly help small businesses grow in a responsible way.

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.

All of the above points really come back to the responsibility of serving customers. ALL lending institutions have the power to lend a borrower into trouble. Only experienced community banks have the ability to properly manage business loans and manage the associated risk. It's my hope that this proposal from NCUA will be taken seriously and that it is understood that there are far worse consequences involved when credit unions engage in business lending without the proper tools and skillsets in place to manage it.

Sincerely,

Jeremy Bishop
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