



New Hampshire Bankers Association

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

August 13, 2015

Dear Secretary Poliquin,

On behalf of the thirty-seven member banks of the New Hampshire Bankers Association (NHBA), I am writing to express our concern regarding the National Credit Union Administration's (NCUA's) proposed rule (12 CFR Parts 701, 723, and 741) pertaining to member business loans and commercial lending. The NHBA opposes this proposal, which would greatly expand the scope of credit union lending activity and invite significant risk. We urge the NCUA to reconsider its rulemaking.

The NCUA proposed rule creates a wide loophole surrounding the credit union business lending cap and poses a moral hazard, threatening the safety and soundness of credit unions and the system. By "clarifying" that non-member business loans do not count toward the statutory cap, the limitation on commercial lending by credit unions is rendered meaningless. Furthermore, by eliminating regulatory oversight of the concentrations of these loans, the NCUA is inviting significant risk while having not established that it is prepared to supervise the expanded business loan portfolios of credit unions.

The credit union industry has proven to be ill-equipped in making commercial loans. For example, in 2010, five credit unions failed as a result of poorly administered business loan programs, accounting for a quarter of all losses to the National Credit Union Share Insurance Fund. During that period, member business loans were a key factor for the supervisory concern for virtually half of the credit unions with CAMEL ratings of 3, 4 or 5.

By eliminating personal guarantees, loan-to-value limitations, and collateral requirements, the proposed rule encourages credit unions to divert funds from consumer lending to financing large commercial enterprises through more multi-million dollar lending deals. Relaxing regulatory standards conflicts with the NCUA's responsibility to protect the industry's insurance fund, and will put taxpayers at risk. Given the rule's liberal allowance of loan participations, an economic downturn could lead to bad loans being syndicated broadly if credit unions do not properly underwrite their loans.

In 1998, Congress asserted that credit union lending should be centered on consumer, and not commercial loans. Congress placed 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."¹ The NCUA's proposed rule ignores Congressional intent, and, if promulgated, would undermine lawmakers' specific limitations and expand taxpayer liability.

Credit unions in our state are failing their core mission of serving those of limited means. A 2014 study of the market for banking services found that in New Hampshire, credit unions had a grand total of 14 offices in the

¹ U.S. Senate Report 105-193, May 21, 1998



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state's four least wealthy counties, a meager 17 percent of all branches.² This shortcoming, not business lending, should be the focus of the credit union industry.

Expanding commercial lending by credit unions is unnecessary and is a solution to a problem that does not exist. In 2012, the University of New Hampshire conducted a survey of 401 small businesses in New Hampshire found that an impressive 82% of businesses experienced no difficulty accessing the credit they needed, and 62% were approved for the full amount of their request.³

The NHBA is committed to working toward the betterment of the financial services industry and the economy of our state and nation. It is for that reason we oppose the NCUA's proposed rule to expand commercial lending for credit unions, which we believe will threaten the safety and soundness of the industry and expose taxpayers to greater risk. We urge the NCUA to withdraw its proposed rule.

Sincerely,

Christiana Thornton
President & CEO

cc: Sen. Jeanne Shaheen
Sen. Kelly Ayotte
Rep. Frank Guinta
Rep. Ann McLane Kuster

² NH Business Community Sentiment Survey, University of New Hampshire Survey Center, April 2012

³ How Public Policies are Changing the Competitive Market for Banking Services in New Hampshire