



DAVID LACY
PRESIDENT & CEO

August 17, 2015

Mr. Gerard Poliquin
Secretary to the Board
National Credit Union Association
Alexandria, Virginia 22314-3428

Re: Comments on Proposed Rulemaking for Member Business Loans, Part 723

Dear Mr. Poliquin,

My name is David Lacy and I am President and CEO of Community Bank and Trust, Waco, Texas. I have been associated with banking for thirty-eight years and have been active in banking organizations including serving on the Board of the Texas Bankers Association. My bank was chartered sixty-three years ago in 1952 and is an independent community bank with \$400 million in bank assets and \$600 million in Trust assets. We are a non-member Federal Reserve Bank and are examined by the FDIC along with the Texas Department of Banking.

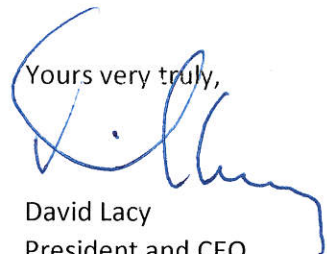
My bank is very active in originating business loans and commercial loans as well as consumer loans. Our staff of loan officers and credit department personnel are very experienced in commercial lending. We have a great track record of providing credit to our community as well as those of surrounding communities. We know our customers and their businesses very well, we meet their business needs, and they are loyal due to our long-standing relationships with them.

I am very concerned that 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. I understand 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.

Yours very truly,



David Lacy
President and CEO
Community Bank and Trust
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Waco, Texas 76701

Cc: Senator John Cornyn
www.cornyn.senate.gov/public/index.cfm?p=ContactForm

Senator Ted Cruz
www.cruz.senate.gov/?p=email

Representative Bill Flores
17th District of Texas
<http://flores.house.gov/contact/default.aspx>
