

**From:** [Dawn Woods](#)  
**To:** [Regulatory Comments](#)  
**Subject:** Member Business Loans and Commercial Lending Part 723  
**Date:** Tuesday, August 18, 2015 5:30:09 PM  
**Attachments:** [image001.png](#)

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Please consider this letter that expresses my concerns about the impact of further expanding the credit union industry's authorities into commercial lending while their regulator relaxes safety and soundness measures for this type of lending. Please consider the following points:

- **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. Consider expanding on the impact of allowing an ill-prepared lender into a new market and what could occur in an economic downturn if these loans are not properly underwritten, especially given the rule's liberal allowance of loan participations could cause bad loans to be syndicated broadly.
- **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.

In addition to the important points mentioned above, Middletown Valley Bank has helped many small businesses primarily in the Frederick and Washington Counties markets in Maryland to be successful throughout its more than 100 years of history. Small business loan programs are important to our customers that we serve and have helped to build the communities that we serve. If you expand the credit union industry's ability to allow commercial lending, you will inhibit our ability as a community bank to service our customers and markets as we do today. Small business lending not only involves meeting the customer's lending needs, but their deposit, personal, investment, and cash management needs. A community bank is well positioned to do this and we have been successfully completing this responsibly in our communities as mentioned above for over 100 years. Small business lending also requires our employees be actively involved in the communities we serve. We are working right along with our customers to help improve their communities. Our employees are dedicating their time to improving our communities as well as having Middletown Valley Bank provide dollars to support those improvement

efforts through contributions to important community organizations. There is a real partnership between small business lending, the business owners, our employees, and our communities, which as a community bank we know how to do and do well. Expanding this responsibility to credit unions is not what they were founded for and they do not possess the expertise to carry out this important responsibility in their communities.

As an employee of Middletown Valley Bank, I know the strength that we have made on small business customers and their communities. It is a strong partnership that has developed over the years with relationships built on trust and meeting the needs of our clients and our community. I would hope that the relationships that small businesses have with their current financial institutions could be maintained and enhanced by not allowing this expansion of credit union authorities into commercial lending. Commercial lending and small business lending, is a complicated business. Credit unions did not possess the expertise to accomplish commercial lending effectively.

Thank you for your time and please do not vote to expand credit unions' authorities for Member Business Loans and Commercial Lending Part 723.

**DAWN WOODS**

*Corporate Secretary*

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