



# SECOND NATIONAL BANK

DIVISION OF THE PARK NATIONAL BANK

August 5, 2015

AUG18'15 AM10:43 BOARD

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

Dear Mr. Poliquin,

I am writing regarding the National Credit Union Administration's proposed rule to significantly expand the authority of credit unions to make business and commercial loans. This proposal provides credit unions with the ability to expand into commercial lending with a large taxpayer subsidy, which I am opposed to.

In my judgment, this 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. There have been a number of failed credit unions since 2010 as a result of poorly run business loan programs. 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. With the proposed rule, losses could quickly multiply.

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.

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

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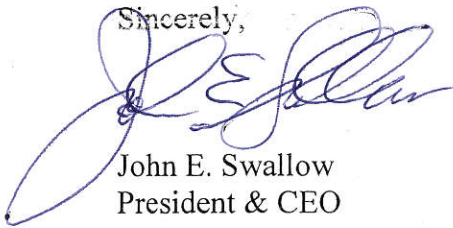
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*Serving families, businesses & our communities for generations!*

NCUA Board has blatantly disregarded congressional intent. NCUA should not undermine specific limitations by Congress nor expand the taxpayer liability.

Our bank and banks in our market area do an excellent job of meeting the credit needs of local businesses, both big and small. We have business and commercial loan programs that are flexible and provide the funding needed by businesses to grow and prosper. The ultimate result of our business lending programs are that both the business and the community wins. The expansion of the credit union industry's authorities into commercial lending would impact the ability of our bank to serve customers. We are equipped with qualified lenders and are more than capable of meeting the lending needs of the local business community. I do not support the proposed rule.

Sincerely,

A handwritten signature in blue ink, appearing to read "John E. Swallow". The signature is stylized with large loops and a long horizontal stroke at the end.

John E. Swallow  
President & CEO

CC Congressman John Boehner  
Senator Sherrod Brown  
Senator Rob Portman  
Congressman Jim Jordan  
Congressman Bob Latta