



AUG18'15 PM 2:22 BOARD

Robert W. Hoxworth  
President

August 8, 2015

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

RE: NCUA Proposal to Expand Member Business Lending Powers – Part 723

Dear Mr. Poliquin

Thank you for the opportunity to comment and express my concerns regarding the National Credit Union Administration's (NCUA) proposal to expand member business lending powers. I have worked in the commercial banking industry in Texas for over 34 years now and have experienced during that time a number of economic cycles and downturns some that have wreaked havoc on the national, state and local economies. Strong underwriting by experienced business lending staff in conjunction with strong regulation and regulatory oversight, have been and continue to be essential elements for success regardless of the economic times.

The current 12.25% business lending cap that credit unions presently operate under has already led to the failure of at least five credit unions since 2010 that have accounted for approximately 25% of the losses to the insurance fund. These failures were the result of a dramatic increase in business lending and/or poor business lending administration by these institutions all under inadequate regulatory oversight. Given my tenure in the banking industry, all in the same geographic area of Texas, I am very familiar with the credit unions in Central Texas and I am very concerned about increasing the business lending cap for these institutions. The nine locally headquartered credit unions in the Killeen-Temple market, where the headquarters of our bank is also located, range in asset size; however, none possess the expertise necessary to underwrite, structure and service business loans. Accordingly, by allowing these credit unions to assume even greater exposure to the business loan segment, these credit unions will be placed in a position where their failure to execute will be devastating and potentially disastrous for their institutions.

Increasing the business lending cap for credit unions is reminiscent in some ways of the deregulation of the savings & loan industry decades ago. Then as now, institutions that were not equipped to underwrite commercial loans under the supervision of a regulatory agency that was

not equipped to provide effective oversight of that type of lending created catastrophic results for the American taxpayers. Perhaps this is one reason why Congress has declined to expand business lending by the credit union industry.

The NCUA's current proposal has serious safety and soundness concerns. Concerns include, the effective elimination of the business lending cap by allowing unlimited purchases of non-member participations. Furthermore, eliminating the regulatory oversight of credit concentrations for participations will allow for unhealthy concentrations that could prove devastating to the institution, industry and insurance fund in an economic downturn. The proposed changes simply make no sense, yet they are being championed by the very agency established to regulate the \$1 trillion credit union industry.

The NCUA has also proposed the elimination of the requirement for personal guarantees, normal loan-to-value limitations and customer collateral requirements. All of the aforementioned items are fundamental tenants of effective business loan underwriting not simply suggested best practices. I find it unconscionable that these changes would be proposed by the industry's own regulator that is charged with the safety and soundness of credit unions. Furthermore, it is absurd that these proposed changes would be made at the same time that caps are being removed thereby allowing for an unimpeded massive and rapid expansion of business lending by credit unions with no regard for safety and soundness. The fact that these changes would be proposed by the NCUA in the first place demonstrates a lack of adequate oversight and understanding by the very agency charged with regulating the industry.

In 1998, Congress made it clear that credit unions should be focused on consumer lending, not business 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." The business lending expansion proposed by the NCUA is a complete disregard for Congress' intent and places the American taxpayers at risk.

I strongly encourage you to reconsider the proposal you have made to expand the business lending requirements of the credit union industry. The NCUA's proposal will ultimately place safety and soundness of your industry, the insurance fund, credit union customers and the American taxpayer in serious jeopardy. Again, thank you for the opportunity to express my concerns on this issue.

Sincerely,



Robert W. Hoxworth  
President

cc: Senator John Cornyn  
Senator Ted Cruz  
Congressman John Carter  
Congressman Roger Williams