

From: [Christopher Miller](#)
To: [Regulatory Comments](#)
Subject: TBA opposes the NCUA's proposed rule to dramatically expand credit unions' authorities for Member Business Loans and Commercial Lending
Date: Wednesday, August 19, 2015 10:13:55 AM

Christopher Miller
7301 Holly Fern Cv.
Austin, TX 78750

August 19, 2015

Dear Gerard Poliquin,

I am a Vice President of Commercial Lending with Southside Bank, located in Austin Texas. It is very concerning to me seeing credit unions in the Central Texas market moving into \$4M+ Commercial Real Estate and business loans. The regulatory and tax burdens that traditional banks deal with put us at a disadvantage with credit unions. This is not a problem when credit unions were true cooperatives dealing with consumers. However now that they are moving into commercial banking territory, I am concerned. If Credit Unions continue to do large commercial loans with relatively more lax regulatory guidelines compared to banks, it could also have a substantially negative affect on the supply/demand equilibrium in the market, especially with potentially non-credit worthy supply.

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.

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.

Thank you for your time and consideration!

Sincerely,
Christopher Miller