From: Julieann M Thurlow
To: _Regulatory Comments
Subject: Comments on Proposed Rulemaking for Member Business Loans, Part 723.
Date: Wednesday, August 19, 2015 9:27:42 AM

Gerard Poliquin
National Credit Union Administration
Alexandria DC 22314

Comments on Proposed Rulemaking for Member Business Loans, Part 723.

Dear Gerard Poliquin:

Given the recent crisis which was byproduct of loose credit standards and lax safety and soundness oversight, the proposal to increase the business and commercial lending capacity for credit unions is irresponsible.

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. We know that the majority of bank and credit union failures are due to poorly written and risky lending, not liquidity or interest rate sensitivity issues. The level of delinquent member business loans at credit unions has increased 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. Credit unions were created to serve their consumer members not unrelated businesses. NCUA is overstepping its regulatory reach and subverting the 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.

Lastly, I am a Bank President in Massachusetts and have had the opportunity of a few occasions been asked to participate in loan deals with a large credit union in our market area. In all instances, we have declined to participate due to the a) poor structure b) inadequate credit analysis and c) high risk nature of the loans this credit union was writing. We were shocked at the degree of risk and lack of credit administration performed by this larger credit union. Limiting risk by limiting the size of these portfolios will serve to protect this industry which should be NCUA's number one job.

Sincerely,
Julieann M Thurlow
180 Haven Street
Reading, MA 01867