From:	Amy Urlacher
To:	_Regulatory Comments
Subject:	Comments on Proposed Rulemaking for Member Business Loans, Part 723.
Date:	Monday, August 24, 2015 10:11:34 AM

Gerard Poliquin
National Credit Union Administration
Alexandria DC 22314

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

Dear Gerard Poliquin:

I am writing in response to the proposed changes that would greatly expand business lending within the credit union industry. I am concerned about the manner in which this proposal has been extended and about the potentially negative impact that it would have.

A recent article in the Denver Business Journal listed Bellco Credit Union as the 6th largest commercial mortgage company based on commercial loan volume in Denver last year. Even if the DBJ data does not properly include local commercial banks, the fact that this local credit union originated $166.8 million last year in commercial loans is concerning. That single year of commercial real estate lending originations represents 66% of their 12.25% business lending cap. Clearly this is not a sustainable ratio. It indicates to me that they are getting around the cap by becoming a large CRE lender through the selling/syndicating of a significant portion the loan volume. Whether they hold the loans or sell them, they are clearly drifting from their mission and are originating business loans utilizing a tax-exempt advantage. 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.

My bank has a longstanding proven track record demonstrating the ability to underwrite and administer commercial loans in a prudent and sound manner. We are proud of our ability to serve the banking needs of our business customers, and are concerned that these new rules could allow unsafe lending by financial entities that do not have the appropriate level of experience or controls to become involved with a higher level of commercial loans and syndications.

Sincerely,
Amy Urlacher
3033 E. 1st Avenue
Denver, CO 80206