

August 18, 2015

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

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

Dear Mr. Poliquin:

I am writing to the National Credit Union Administration today to urge you to withdraw the proposal to “modernize” the NCUA’s member business lending regulation.

Bell State Bank & Trust, with assets over \$3.5 billion, is the largest privately owned bank in North Dakota, South Dakota and Minnesota. Headquartered in Fargo, North Dakota, Bell State Bank & Trust has kept its commitment to remaining an independent, locally owned, regional bank.

The NCUA admits that it not prepared to regulate the credit unions if they make a significantly higher number of commercial loans. The NCUA will spend millions of dollars training examiners to regulate credit unions making commercial loans. Since the NCUA is not prepared for this type of expansion of commercial lending, the NCUA should abandon this plan and keep the credit unions focused on their real mission, serving people of modest means.

Credit unions receive extremely generous tax advantages, and in exchange for those advantages, credit unions have some limitations. For example, Congress set a cap for credit union commercial lending at 12.25% of total assets. Through various regulatory actions, the NCUA has created multiple exceptions to that rule, rendering the cap meaningless. In this proposed regulation the NCUA has decreed that non-member business loans and non-member commercial participations are exempt from the cap. Congress did not determine that these loans should not count against that cap. That part of the proposed rule is inappropriate. Making that kind of policy determination is a legislative function for Congress, not a regulatory function.

Credit unions are membership-based organizations. They should focus on serving the needs of their individual members, and especially on individuals of modest means. This proposal gives credit unions the explicit authority to make non-member business loans. Why should credit unions be able to serve anyone outside their defined membership? That makes no sense for a membership-based organization.

bellbanks.com

1333 SOUTH 8TH STREET | PO BOX 1166 | MOORHEAD, MN 56561

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It is especially egregious that credit unions would have the authority to serve business entities that have no affiliation with the credit union. Not only can they serve them, the loans to these unaffiliated businesses do not even count toward the credit unions' Congressionally-mandated business lending cap. NCUA, with this proposal, you have gone too far.

Commercial lending is more complicated and requires a different skillset than consumer lending. The credit union industry has not shown that they have the requisite skills. Several different credit unions failed because of poor performance within their commercial lending portfolios. The NCUA should not be encouraging further credit union commercial lending expansion until the industry proves it has mastered that type of lending.

Thanks you for considering my comments.

Sincerely,

A handwritten signature in blue ink, appearing to read "Dorothy J. Agather". The signature is fluid and cursive, with a long, sweeping tail that extends to the right.

Dorothy J. Agather  
Sr. Vice President