

August 17, 2015

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

Dear Mr. Poliquin,

I am writing in my capacity as Chair of the Pa Bankers Association and as CEO of Lafayette Ambassador Bank, headquartered in the Lehigh Valley. The purpose of this letter is to voice strong opposition to a proposed rule to expand Credit Union's member business loans and commercial lending authorities.

The National Credit Union Administration's (NCUA) proposal would:

- Widen loopholes to the member business lending cap by "clarifying" that non-member business loan participations do not count towards the statutory cap and by eliminating regulatory oversight of the concentrations of these loans. This will not only allow, but also encourage, credit unions to enter into more multimillion-dollar commercial lending deals.
- Make the statutory cap meaningless by allowing certain credit unions to exceed the member business loan statutory authority. If both the proposed business lending and pending capital rules are adopted as proposed, the statutory cap could nearly double without Congressional approval.
- Remove important safety-and-soundness checks and balances by eliminating the requirement for personal guarantees, loan-to-value limitations and collateral requirements. This encourages credit unions to divert resources to financing large commercial enterprises while relaxing the safety and soundness regulations associated with such loans.

I believe NCUA's proposal poses serious safety and soundness concerns. 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 by encouraging credit unions to divert funds from consumer lending to commercial lending. There is plenty of recent history warning of the consequences of allowing an ill-prepared lender into a new market and what could occur in an economic downturn if these loans are not properly underwritten, especially given the rule's liberal allowance of loan participations could cause bad loans to be syndicated broadly.

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. This proposed rule disregards intent and potentially expands taxpayer liability.

Sincerely,



Gerald A. Nau

CEO of Lafayette Ambassador Bank
Chairman of Pennsylvania Bankers Association

Cc: The Honorable Robert P. Casey, Jr., United States Senate
The Honorable Patrick J. Toomey, United States Senate
The Honorable Charles Dent, United States House of Representatives