



Good Bankers. Good Friends.

August 17, 2015

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

AUG24'15 PM12:39 BOARD

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.

Community Resource Bank is a \$250,000,000 bank with three branches located in Minnesota. One location is in a Metro area, and the remaining offices are located in rural Minnesota. I am a Compliance Officer and have grave concerns regarding providing credit unions even more regulatory relief than competing banks.

The Treasury Department recently concluded that the NCUA has done a poor job enforcing Bank Secrecy Act (BSA) regulations. The NCUA has admitted that it is not prepared to regulate the credit unions if they make a significantly higher number of commercial loans. The NCUA plans to spend millions of dollars training examiners to conduct the more complex commercial loan reviews. Perhaps the NCUA should abandon this expansion and spend those millions of dollars training their examiners to enforce the BSA regulations. The NCUA should fix its existing regulatory oversight issue before adding a second one.

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.

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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. 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.

Credit unions receive tax and regulatory advantages because they once served "people of modest means." If the benefit of tax-advantaged credit is supposed to support low- and moderate-income individuals, why would the NCUA continue expanding lending opportunities to commercial entities? Instead, the NCUA should work to ensure that credit union branching patterns, product offerings and advertisements support their tax exempt mission of serving low- and moderate-income people. The taxpayers subsidizing the credit union industry should get a better return on their subsidy. Giving tax-advantaged credit to corporations is poor public policy, which is why Congress repeatedly denied the credit union industry's requests.

In closing, I would like to thank you for considering my comment letter. We all need to follow the regulatory guidelines and Credit Unions should remain true to their cause of serving people of modest means.

Sincerely,



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Vice President

Compliance, Audit and Risk Management

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