FIRST FINANCIAL BANK NA

August 21, 2015

AUG25'15 PM 1:33 BOARD

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

Dear Mr. Poliquin:

I am writing to express my strong opposition to NCUA's proposal to expand credit union business lending. I work for a community bank based in Abilene, Texas with branch offices primarily in central and west Texas. I believe this proposal blatantly goes against Congress' interest for credit unions to focus on consumer lending, not commercial lending.

In reviewing the NCUA proposal, I believe the proposal:

- **Widens 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.

- **Makes 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.

- **Removes 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.

- **Poses serious safety and soundness concerns since the** NCUA is not 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 risk 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.

- **Oversteps NCUA's regulatory reach by expanding business lending loopholes.** This proposal is contrary to congressional intent to limit business 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 has blatantly disregarded congressional intent.

It is the banking industry's responsibility to serve small businesses. Banks have met this community need and for credit unions to offer loans for commercial entities would undermine bank's ability to service our customers.

I therefore respectfully request that you remove this proposal and focus credit unions on Congress' intent.

Thank you for your attention to this matter.

Sincerely,

Kenneth A. Williamson
President and CEO
Mineral Wells