



August 17, 2015

AUG25'15 PM 1:32 BOARD

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.

I work for Citizens Alliance Bank, a Community Bank in Lake Lillian (Central Minnesota), our main office for Citizens Alliance Bank is Clara City, MN.

In the name of regulatory relief, the NCUA is expanding the ability of credit unions to make commercial loans in ways that were NOT approved by Congress. Despite attempts to pass legislation increasing credit unions' commercial lending authority, Congress has repeatedly rejected those attempts because additional commercial lending authority is inconsistent with the credit unions' tax exempt mission. The NCUA should not grant powers that Congress has regularly rejected.

Do Credit Unions have the expertise to expand their commercial lending operations, either by originating more commercial loans or by purchasing participations? It is my understanding that Credit Union delinquency rates are much higher for commercial type loans than for other types of loans. Giving the Credit Unions additional commercial lending authority now, and hoping that they learn how to safely and soundly make those loans as they go, is a reckless strategy.

The NCUA admits that they are NOT prepared to regulate the Credit Unions if they make a significantly higher number of 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.

It is my understanding that the NCUA has admitted that it is not prepared to regulate the Credit Unions if they make a significantly higher number of commercial loans. Maybe 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.

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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 their 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? This 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 them.

This proposal is contrary to congressional intent to limit Credit Union business lending activity. In 1998, Congress instituted the Credit Union commercial lending cap, making it clear that Credit Unions should be focused on consumer lending, NOT commercial lending. By proposing this rule, the NCUA Board has disregarded Congress's clear intent.

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? Giving tax-advantaged credit to corporations is poor public policy, which is why Congress repeatedly denied their requests.

Over time, some Credit Unions have remained true to the original Credit Union model. They continue to have a tight common bond, and they continue to focus on serving the credit needs of individuals, and especially people of modest means. Other Credit Unions have become massive institutions serving wealthy people and corporations.

Every Credit Union continues to enjoy their tax exemptions, even though many of them are no longer true to their original mission. There are many examples, but the California Credit Union that recently committed to paying \$120 million for the naming rights on a professional basketball arena is a great example of how the Credit Unions abuse their tax advantages.

Thank you for your consideration.

Handwritten signature of Neal G Prokosch

Neal G Prokosch

Citizens Alliance Bank - Market Manager/Loan Officer

NMLSR #799754

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Table with 7 columns listing branch locations: Clara City, Maynard, Granite Falls, Lake Lillian, Echo, Howard Lake, Watertown, Murdock. Includes phone numbers and website information.