



July 27, 2015

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

AUG 25 '15 PM 1:41 BOARD

**RE: Richard J. Cantele, Jr., President and Chief Executive Officer
Salisbury Bank and Trust Company
Comments on Proposed Rulemaking for Member Business Loans, Part 723**

Dear Secretary Poliquin:

I am writing to express my strong opposition to the NCUA's proposal to expand the ability of credit unions to make more Small Business Administration (SBA) guaranteed loans. The proposal would amend the Member Business Loan (MBL) rule to allow credit unions to make SBA loans under less restrictive lending requirements instead of the more restrictive requirements of the MBL rule.

Although headquartered in Northwestern Connecticut, Salisbury Bank has offices in Southwestern Massachusetts and the Hudson Valley of New York. In both areas, we compete heavily with two major credit unions. Given the already un-level playing field relative to the tax-exemption enjoyed by the credit unions, further expansion of their powers only serves to allow credit unions to further deviate from their specified mission and continues to tip the competitive scales more in favor of these credit unions.

Allowing credit unions to veer further from their mission (to serve the credit needs of low-and-moderate income consumers) by expanding business lending and exempting non-member participation loans from the statutory cap creates significant safety and soundness concerns in addition to providing credit unions with an opportunity to increase an already substantial federal tax subsidy. NCUA has not established that it is 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 risks associated with commercial lending. Losses could quickly multiply under this proposed rule.

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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."

By proposing this rule, the NCUA Board has blatantly disregarded congressional intent. NCUA should not undermine specific limitations by Congress nor expand the taxpayer liability.

Respectfully,

A handwritten signature in black ink, appearing to read "R. Canale, Jr.", written over the typed name.

Richard J. Canale, Jr.
President and Chief Executive Officer

cc: Congresswoman Elizabeth Esty
114 West Main Street, Suite 206
New Britain, CT 06051

Senator Richard Blumenthal
706 Hart Senate Office Building
Washington, DC 20510

Senator Christopher Murphy
136 Hart Senate Office Building
Washington, DC 20510