

**From:** [Bryce Packard](#)  
**To:** [Regulatory Comments](#)  
**Subject:** Comments on Proposed Rulemaking for Member Business Loans, Part 723.  
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Gerard Poliquin  
National Credit Union Administration  
Alexandria DC 22314

### Comments on Proposed Rulemaking for Member Business Loans, Part 723.

Dear Gerard Poliquin:

Recent developments on expansion of Credit Unions business lending have led me to writing you this letter. Credit Unions have drifted away from traditional lending practices they were intended to be involved with. This also includes the people they were intended to serve. Included with these concerns I have had for multiple years is the current internal changes NCUA and its member Credit Unions want to make. NCUA's proposals concern me in many aspects. Please consider some of these points.

NCUA's proposal poses serious safety and soundness concerns. 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.

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. Taking such risks with taxpayer dollars, without proper education, is deceiving and irresponsible. NCUA is willfully ignoring lessons from their history and encouraging credit unions to divert funds from consumer lending to commercial lending.

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." There have been instances where I have had to refer people to a credit union as it was in their best interest, only because of the personal struggles they face, financially, should not dis-allow them things that are a necessity in life. There is a

proper place and time for everything. By proposing this rule, the NCUA Board has blatantly disregarded congressional intent and is attempting to take advantage. NCUA should not undermine specific limitations by Congress nor expand the taxpayer liability.

These things should be properly addressed and thoroughly thought through. May we consider a level and fair working industry as it has been intended. May we also consider those whom we are meant to serve in our communities and find the best way to serve them.

Sincerely,  
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