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**To:** [Regulatory Comments](#)  
**Subject:** Community Banker - Comments on Proposed Rulemaking for Part 723 (RIN 3133-AE37)  
**Date:** Monday, August 31, 2015 3:21:15 PM

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Dear Mr. Poliquin:

My name is Glenn Buddin, CEO and CFO of Blue Ridge Bank in Oconee County, South Carolina. I am writing today to express my opposition to the NCUA's proposal to rewrite the rule governing credit union member business lending.

I have been a community banker for many years and am proud to serve my loyal customers and community. My tax dollars support local schools, police and fire departments, and other local services that are very important to our community.

The following are my objections to the NCUA proposal:

- Disregarding the statutory cap on member business loans. The Federal Credit Union Act's statutory calculation clearly and explicitly sets the member business lending (MBL) cap at 12.25 percent of assets. However, the NCUA MBL proposal, together with their proposal to apply risk based capital standards under Basel III to credit unions, could be used to bypass the 12.25 percent MBL cap, raising it to 17.5 percent of assets or even higher for certain credit unions. Therefore, this proposal cannot be aligned with the plain language of the Act. According to the legislative history, the current MBL cap reflects the will of Congress that credit unions serve persons of modest means "through an emphasis on consumer rather than business loans." Also, the legislative history states that the MBL cap is intended to limit the risk of taxpayer losses as a result of "large commercial loans" by credit unions.

- Taking "member" out of member business loans. The borrower - a credit union member - must personally guarantee a member business loan under the current rule. Nevertheless, the proposal would remove the member guarantee requirement making a member business loan an ordinary business loan. This is a radical departure from the credit union lending model clearly not intended by the Federal Credit Union Act.

- Undermining the MBL cap. The current MBL cap has already been damaged by a number of exceptions that undermine its integrity and purpose. For example, whole loans and loan participations purchased from other credit unions do not count toward the cap. The NCUA proposal would only expand this loophole by removing the requirement that credit unions seek a waiver for such lending. This will allow large credit unions to engage the egregious practice of lending hundreds or possibly billions of dollars of business loans outside of the MBL cap.

- No proof of economic need. The NCUA has failed to prove that an economic need exists to justify its sweeping proposal. The National Federation of Independent Businesses recently published a survey which shows that only four percent of small business owners reported not having all of their credit needs met, which is a historically low percentage. Additionally, only two percent of small businesses reported that obtaining credit was their main problem. Under these credit conditions, the NCUA proposal is unlikely to result in net new loans. Rather, it would cause tax paying community banks to lose business loans to tax exempt credit unions. This will result in a loss of tax revenue at local, state, and federal levels.

- Reckless weakening of practical protections. The NCUA proposal would discard or significantly weaken a series of practical restrictions on member business lending such as loan-to-value caps on collateral used to secure loans and loan-to-a-single-borrower limits, as well as the borrower guarantee requirement noted above. As discussed below, this weakening of lending standards is completely unwarranted by credit unions' dismal record of failed member business loans.

In the background to the proposal, the NCUA itself admits that: "Poorly managed business lending activities were a contributing factor in the failure of at least five credit unions since 2010. They account for roughly \$141 million, or 25 percent of total share insurance fund losses over the last five years." Elsewhere, the NCUA has stated that MBLs are delinquent at 2.5 times the rate of all loans, and imprudent business lending has led to the weakening or failure

of hundreds of credit unions.

I strongly encourage the NCUA to explain why it proposes to weaken essential safeguards despite its lack of confidence in credit union business lending. Reckless business lending has already damaged the credit union system. Credit unions do not have the experience and the expertise to safely conduct business lending, and the NCUA lacks experience in supervising business lending.

Finally, I urge the NCUA to extend the comment period to allow additional time for public consideration and comment. The agency should have the benefit of a comprehensive and thoughtful public examination of its many substantial and consequential changes. An extension of at least 60 days would be appropriate. This would also allow Congress time to review the proposal when members are actually in Washington D.C., not during a congressional recess.

Thank you for your time.

Sincerely,

Glenn D. Buddin, Jr.  
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