MISSISSIPPI BANKERS ASSOCIATION

August 31, 2015

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

RE: National Credit Union Administration; Member Business Loans; Commercial Lending; 12 C.F.R. Part 701, 723, and 741; 80 Federal Register 37898, July 1, 2015

Dear Mr. Poliquin:

The Mississippi Bankers Association (MBA) is the statewide trade association whose membership includes commercial banks and savings institutions operating in Mississippi. This comment letter is submitted on behalf of our 88 member institutions regarding the above-referenced National Credit Union Administration (NCUA) proposed rulemaking.

The MBA membership has serious concerns about this proposed rule that would expand business lending authority for credit unions. We believe this proposal would have a negative impact on credit unions, the NCUA, the industry's insurance fund, and business borrowers. Perhaps most significantly, our membership believes that the proposed rule is inconsistent with the Congressionally mandated mission of credit unions, and any policy decision on this matter should be made by Congress.

We strongly disagree with the assertion that the credit union industry has demonstrated that it is equipped to manage high-dollar business loan portfolios. Since 2010, five credit unions have failed because of poorly managed business lending programs – and these failures accounted for more than 25% of all losses to the credit union insurance fund over this time frame. This fact alone raises serious questions as to whether commercial lending limits for credit unions should be expanded. Additionally, in 2010, business loans were a primary or secondary factor in supervisory concern for nearly 50% of credit unions with CAMEL ratings of 3, 4, or 5 that made business loans. It is noteworthy that the delinquency rate for credit union business loans in 2006 was 0.53%, but this rate climbed to 4.29% by 2010 – an eightfold increase. Compared to a 1.74% delinquency rate for all credit union loans, this illustrates the difficulty that the credit union industry, and the NCUA, have had in managing and supervising the risks that come with increased business lending.

While it appears to us that the NCUA has not fully considered the cited data in issuing the proposed rule, it should be noted that risk factors would be multiplied as credit unions expand their business lending under the proposed rule. Thus, by putting this new rule into effect, the NCUA would dramatically increase the risk to the credit union insurance fund. Any losses to the fund could, ultimately, be paid by the taxpayers.

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In addition to needing capital to fund growth and expansion, business borrowers depend on lenders to advise and support them as they face everyday business challenges. This is particularly true for small, family-owned businesses, which make up a large portion of commercial borrowers in Mississippi and the nation. Commercial lending is a core business of banks, and banks have a long record of effectively providing this support; however, this is not the case with credit unions. We have serious concerns that credit unions have not demonstrated the level of experience and expertise necessary to fully serve commercial borrowers, and these businesses (and their customers) could be exposed to new and increased risks under the proposed rule.

Perhaps most significantly, the MBA believes that the proposed rule is in direct conflict with the Congressionally mandated mission of credit unions. Congress has expressly stated that the principal purpose of credit unions is to serve consumers, not businesses. In 1998, Congress made this clear when it established limits on credit union business lending "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." We submit that it is wholly inappropriate for NCUA to issue the proposed rule that is inconsistent with such clear Congressional intent.

The Mississippi Bankers Association believes that the question of whether business lending rules for credit unions should be changed is an important policy decision to be addressed by Congress. Therefore, we urge the NCUA to table this proposal in order to allow Congress to consider this matter.

Our association appreciates the opportunity to comment, and we thank you for your consideration of our views.

Sincerely,

McKinley W. Deaver
President, Mississippi Bankers Association