



## OKLAHOMA BANKERS ASSOCIATION

*We make bankers better!*

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August 31, 2015

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

**RE: RIN 3133–AE37 -- Member Business Loans; Commercial Lending**

Dear Mr. Poliquin:

The Oklahoma Bankers Association represents the \$95 billion banking industry in our state which includes 219 FDIC-insured entities, three of which are thrifts. Oklahoma is predominantly a “community bank” state with 39 institutions that have less than \$50 Million in total assets. Another 56 have assets between \$50 Million and \$100 Million in total assets.

As you continue to look at the general make-up of the state you’ll find that 75 percent of the state’s federally-insured banks and thrifts have total assets of less than \$250 Million. Given the regulatory avalanche that continues to take place in the wake of Dodd-Frank, it’s difficult to understand how these individual banks are going to be able to survive in their current configuration and, in the process, take care of their customers and their communities, even if competition from tax-favored credit unions did not exist. But of course it does.

Even though the political fight between banks and credit unions over taxation is on-going, we do appreciate the opportunity to comment on the National Credit Union Administration’s proposal dealing with expanding the authority of credit unions to make more business loans. The proposal being advanced is an attempt to get through your agency what credit unions cannot get through the Congress. In doing so we strongly believe that this effort to circumvent statutory requirements on credit union business lending activities would set a dangerous precedent and, at the same time, poses significant safety and soundness risks that simply must be addressed.

The basis for our comment letter and objection to the NCUA’s proposal is based on the fundamental reason Congress gave credit unions a competitive edge: to make credit available to low- and moderate-income consumers, *i.e.*, people of modest means. This proposal will do nothing to help the types of consumers Congress intended when the tax exemption was provided for credit unions, but it will clearly help larger credit unions by encouraging their growth through expanded business lending powers.

The proper role for the NCUA should be making certain that the industry adheres to its mandate established by Congress to serve underserved consumers and in doing so is operating in a safe and sound manner. Its policies, rules and regulations should not be promoting the growth of larger credit unions at the expense of smaller ones.

In an effort to overturn a decision by the U.S. Supreme Court in 1998, Congress also established the current 12.25 percent member business loan (MBL) cap. In doing so Congress continued to emphasize that credit unions should be focused on serving consumers of moderate means. This proposal ignores these statutory restrictions as well as Congressional intent.

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At the same time the proposal enables larger credit unions to get around the commercial lending limits that were established 17 years ago and make even larger and riskier (commercial) loans with very little experience in doing so. The result will be that this proposal will increase the likelihood of losses and further weaken the strength of the credit union industry.

Bankers are justifiably concerned about the following specific issues that result from the agency's proposal:

- For some time credit union customers have been required to personally guarantee any member business loan. Because of their structure and mission the personal guarantee has been consistently required. The proposal removes the guarantee requirement, making member business loans simply ordinary business loans.
- The proposal also eliminates requirements to make certain business loans in a way that does not threaten the safe and sound operation of today's credit unions. Loan-to-value caps on collateral used to secure loans and loan-to-a-single-borrower limits will continue to threaten safe and sound lending standards with which all banks must comply.
- Usually when sweeping changes to lending activities are proposed there is a good reason for doing so. Normally that entails clarifying the purpose and the economic need that's driving the decision to expand existing lending authority. It shows the "whys" of the changes being proposed and why they are warranted. There is no such need shown here.

◆ As we read the statistics, most credit unions are nowhere near the current 12.25 percent limitation on commercial lending;

◆ We also note that many larger credit unions are up against that limitation and we believe they are the ones behind the effort to advance this proposal and its changes so they can expand;

◆ Finally there is no evidence that commercial banks have abdicated their traditional role of **lending to small business in a safe and sound manner**.

Our point is simply that this proposal is intended to circumvent existing law that was established by Congress and by doing so it will greatly loosen some of the basic commercial lending practices which will increase already-present concerns about credit union failures.

At the end of the day we encourage the NCUA to more carefully and sensibly develop rules and procedures that will enhance the prospects for making commercial loans that can and will be repaid. After all, it is that judgment which is at the root of proper lending of all types by all lenders. This proposal does not represent such an effort.

Thank you for your considering our views on this issue.

Sincerely,



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