

August 27, 2015

AUG 31 '15 PM 1:34 BOARD

Gerard Poliquin
Secretary of the Board
National Credit Union Administration
17756 Duke Street
Alexandria, VA 22314-3428

RE: Rule 12 CFR Parts 707, 723, 741

Dear Secretary Poliquin,

Thank you for the opportunity to express my views on the impact of the proposed expansion of business lending powers for credit unions. I am opposed to any further expansion of business lending authority for the credit union industry for the following reasons:

1. Origin and Congressional Intent – The credit union industry was created to serve employees of specific employment groups and provide basic personal deposit and loan services. In exchange for this limited service to a group of small underserved individuals, these financial entities (credit unions) would be granted tax exempt status. The credit union business model is not structured, staffed, or regulated in a way to support additional business lending powers.
2. Credit Union Tax Exemption – Credit unions are currently provided one of the largest tax subsidies of any business segment in our nation. This tax subsidy is at the expense of two important group of citizens. First, every tax payer in America has a higher personal tax burden as a result of how credit unions are treated in the tax code. Secondly, every privately owned community bank or savings bank is carrying the federal tax burden of the credit union tax subsidy. This is not good public policy nor is it in the best interest of the American taxpayers. The tax subsidy was granted for credit unions to only make loans for personal, consumer, and household purposes.
3. Effective Regulatory Governance – In contrast to the Federal Reserve System, Office of Comptroller of the Currency, and Federal Deposit Insurance Corporation, the National Credit Union Administration does not have the capacity nor the experience to effectively regulate any expanded business lending powers. The regulatory structure created around the credit union industry was not designed to supervise and regulate business lending.
4. The Next S&L Problem – Just a few decades ago, we saw the outcome when a financial industry segment was allowed to expand outside its intended business model and regulatory mandate. Under pressure from the S&L industry, expanded lending powers were granted by Congress and the regulators. This allowed the S&L industry to engage in other types of lending where they had very limited experience, no historical perspective, and untrained officers and directors. The mix of inadequate regulatory oversight, lack of seasoned lending experience, and expanded lending powers proved fatal to the nation's federally insured S&L industry and cost tax payers an estimated \$100 billion (in 1990 dollars). Mark Twain said "history does not repeat itself, but it does rhyme". The similarities between the S&L experience and the current efforts of credit unions is so compelling that to expand business lending activities would be an economic tragedy for borrowers, all business lenders, and the American taxpayer.
5. Adequate Sources of Business Credit Exist – There is no shortage of credit sources for business borrowers in the US. The banking industry has the liquidity and capital adequacy to fund current and future needs of business borrowers. Alternative sources for business credit are expanding through web-based business lenders. Since there are many competitors in the

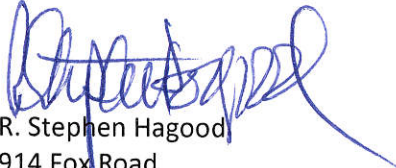
business lending segment, pricing is very low for borrowers. There is simply no legitimate need for credit unions to have expanded business lending powers.

Expanded business lending powers for credit unions should not be permitted. Existing credit union powers have already gone beyond what is necessary to provide adequate sources of credit for America's small businesses.

Credit unions should not be permitted to (1) expand their levels of business lending, (2) loosen credit underwriting requirements, (3) waive loan-to-value limits, (4) engage in construction and development lending, and (5) increase business lending limit caps.

Thank you for the opportunity to provide my perspective. I have been in the financial services business for 43 years, lived through several business and credit cycles, and experienced first-hand the impact of this type of imprudent financial regulation.

Respectively,



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