LBA
LouisianaBankers
ASSOCIATION

August 31, 2015

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

Re: National Credit Union Administration; RIN 3133-AE37; 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 National Credit Union Administration (NCUA) has requested comments on the above proposal that would amend its member business lending rule governing federally insured credit unions, and the Louisiana Bankers Association, which is the only state banking association in Louisiana representing 142 member banks and thrifts, appreciates the opportunity to comment.

LBA is strongly opposed to this proposal as, among other things, it would: (i) contradict congressional intent and the plain language of the statute that sets the member business lending (MBL) cap at 12.25 percent of assets; (ii) facilitate expanded commercial lending outside of the MBL cap; (iii) create additional safety and soundness concerns for credit unions that lack the experience and expertise to safely conduct business lending; and (iv) create bad public policy because it does not serve the original credit union mission of serving people of modest means with a common bond among them, which was the basis for the broad tax exemption granted decades ago that credit unions continue to enjoy today.

Years ago Congress mandated through the Federal Credit Union (FCU) Act a statutory MBL cap of 12.25 percent of a credit union's assets. This made 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 maintain a consumer focus. The report of the Senate Committee on Banking, Housing & Urban Affairs from 1998 clearly supports this position:

"…the Committee imposed substantial new restrictions on business lending by insured credit unions. Those restrictions are intended 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. The Committee action will prevent significant amounts of credit union resources from being allocated in the future to large commercial loans that may present additional safety and soundness concerns for credit unions and potentially increase the risk of taxpayer losses through the National Credit Union Share Insurance Fund…"

However, this proposed rule encourages credit unions to divert member resources to financing more commercial loans in contravention of the law and congressional intent. Again, LBA strongly opposes such a result.

It is our understanding that this proposal removes already lenient restrictions on member business lending such as borrower guarantee requirements, loan-to-value caps on collateral used to secure loans, and loan-to-a-single-borrower limits. This will not only encourage credit unions to divert member funds from

consumer lending to commercial lending, but also will create serious safety and soundness concerns as the credit union industry, with limited experience and a lack of underwriting expertise in business loans, ramps up business lending activity. Based on the industry's poor track record, credit unions, and the NCUA itself as their regulator, are ill-prepared for the additional responsibilities and risks associated with increased business lending authority.

In the proposed rule, NCUA also reiterates that nonmember business loans (NMBLs) and participating interest are excluded from the aggregate MBL cap. If Congress intended to allow the NCUA Board to exclude forms of business loans from the MBL cap, it would have articulated this in Section 107A of the FCU Act…but it did not. NCUA is overstepping its authority in excluding NMBLs from the MBL cap.

Finally, as a matter of public policy, credit unions should not receive any additional business lending or other powers as long as they remain tax exempt entities. Credit unions were created to serve people of modest means with a common bond among them. This is the basis and the rationale for a costly tax exemption that strains budgets at the federal, state, and local levels. Business lending does not serve the original credit union mission.

Based on the above, LBA and its membership ask you to not proceed with this proposal.

Thanks for your consideration of our comments.

Sincerely,

Joe Gendron
Director of Government Relations