



August 22, 2016

Shari Shivers
General Counsel
Credit Union Department
914 East Anderson Lane
Austin, Texas 78752-1699

Re: Proposed amendments to Title 7 of the Texas Administrative Code,
Section 91.709, Member Business and Commercial Loans

Dear Ms. Shivers:

The Texas Credit Union Commission is proposing amendments to the Texas Administrative Code to enhance the commercial lending powers of Texas chartered credit unions. The rationale offered is that, due to federal changes in member business loan authority, 12 C.F.R. 723, state charters should be given competitive parity based on the Texas parity statute, Texas Finance Code Section 123.003. The Texas Bankers Association is strongly opposed to the proposed amendments.

The TBA objects to the legality of the recent actions by the National Credit Union Administration on business lending as being beyond the scope of powers authorized by Congress. Congress made it clear in 1998 that credit unions should be focused on consumer lending. Restrictions were placed on business lending to make sure that credit unions maintain a consumer focus. The proposed Texas amendments, because they are based upon federal actions of questionable validity, are similarly tainted.

The Texas proposal and its federal counterpart also pose safety and soundness concerns. Neither the NCUA nor the Credit Union Department have established that they are prepared to supervise institutions with expanding commercial loan portfolios. Since 2010, five credit unions have failed because of business lending programs. These five failures counted for a fourth of all losses to the NCUSIF during that period. Exhibit A for the lack of institutional knowledge as well as weak supervision is the failure of Texans Credit Union. Texans failed in 2011 and required a \$60 million capital note from the NCUSIF to avoid insolvency. The institution's business loan charge-offs and delinquencies totaled \$101.6 million, 57% of its total business loans.

In conclusion, TBA opposes the Credit Union Commission proposal as based upon federal regulations that go beyond Congressional intent as well as the potential threat to the safe and sound operation of credit unions engaged in business lending.

Sincerely,

J. Eric T. Sandberg, Jr.
President and CEO