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Aug. 31, 2015

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

Re: Comments on Notice of Proposed Rulemaking for Part 723; RIN 3133-AE37

VIA ELECTRONIC MAIL

Dear Mr. Poliquin,

My name is Eli Lehrer and I am president of the R Street Institute, a free-market think tank headquartered in Washington, with offices in Tallahassee, Fla.; Austin, Texas; Columbus, Ohio; Sacramento, Calif.; and Birmingham, Ala. I am writing to comment on the above-referenced rules, based both on R Street's commitment to free-market principles and R Street's own interests as a small nonprofit and credit-union member. We consider these proposed rules a good start toward a better and freer environment for credit unions to operate and urge you to move forward with them.

R Street staff long have argued that – given the history of the credit-union movement, the nature of credit-union lending to business and the potential benefits to the broader economy – statutory and regulatory caps on credit-union member-business loans should be removed or, at least, made significantly more flexible.¹ Credit-union lending can better meet market needs if it is based on demand, rather than arbitrary rules.

Proposed changes to lift credit union lending caps could provide economic stimulus on a significant scale at no cost to taxpayers; significant research has shown this type of

¹ Eli Lehrer, "Taxicab Medallions and Heirloom Tomatoes to the Rescue," *OnPoint*, Competitive Enterprise Institute, Sept. 18, 2007. <https://cei.org/studies-point/taxicab-medallions-and-heirloom-tomatoes-rescue>; and Eli Lehrer, "Small Business Credit Still a Problem: Expanding Credit Union Lending Authority a Much Needed Step," R Street Institute and Small Business Majority, Sept. 12, 2012. <http://www.rstreet.org/policy-study/small-business-credit-still-a-problem/>

lending is already becoming more important.² As current law does not give the NCUA authority to lift the cap, simplifying the process to make more loans, as the proposed rules would do, is a step in the right direction.

We see little to no risk of harm from the modest rule changes currently under consideration. These proposed changes would eliminate some requirements not found in statute and simplify a few rules. They pose no safety and soundness concerns related to the overall scope of expanded credit-union business lending.

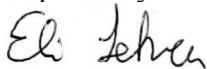
As president of an organization that is a credit union member, I believe legal simplification would benefit us and other existing members. In an op-ed I co-authored last year with my organization's chief operating officer, we described how the member-business-lending cap constrained our ability to find a credit union that met our needs as a growing business:

*[W]e couldn't easily make electronic check deposits and couldn't see check images online. When we looked for these features – and we spent almost a month searching – we couldn't find a single credit union anywhere that both offered them to small business and could fit [the R Street Institute] into their field of membership. This state of affairs, we believe, exists because of federal laws that cap credit union member-business loans. Since credit unions face such onerous restrictions on the size of their loan portfolios, it's natural and even proper that many underinvest in the IT systems necessary to support small business.*³

Without a significant easing of the cap, it is unlikely that any given set of regulatory changes will solve these problems. Nonetheless, the small changes you propose might, at the margin, make it easier for credit unions to justify the investments necessary to serve businesses like ours in the way we would like to be served.

The rule changes you suggest are common sense and will benefit both and existing credit-union members the economy as a whole.

Respectfully submitted,



Eli Lehrer
President, R Street Institute

² Wilcox, James A. "The Increasing Importance of Credit Unions in Small Business Lending," Small Business Administration, Office of Advocacy, September 2011, <https://www.sba.gov/sites/default/files/files/rs387tot.pdf>

³ Eli Lehrer and Erica Schoder. "Service, Restrictions Force CU Fans to Abandon CU," Credit Union Times, June 13, 2014, <http://www.cutimes.com/2014/06/13/service-restrictions-force-cu-fans-to-abandon-cu>