Citizens BANK
MEMBER FDIC
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August 5, 2015

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

AUG10'15 PM 2:33 BOARD

Dear Mr. Poliquin:

Since its founding in 1934, Citizens Bank has been dedicated to helping businesses in the Tri-Cities region thrive without ever wavering on our commitment to stringent lending quality standards. As one of the foremost community banks in the East Tennessee region, Citizens has helped literally thousands of businesses invest, expand and grow in our region during good and bad economic times.

Our bank has recently highlighted a series of businesses that choose Citizens Bank because of our ability to approve and service loans locally, maintain high quality lending standards which contribute to institutional stability and our ability to relate to small business owners since we operate a small business ourselves.

Our commitment to quality lending standards extends beyond a regulatory burden to our own internal standards and policies, which are heavily scrutinized by both government oversight and our local owners. It is because we have always held ourselves to the highest lending standards that **I write you today to communicate my opposition to the Proposed Rulemaking for Member Business Loans (Part 723).**

As you know, in 1998 Congress made it clear that credit unions should be focused on filling in gaps in consumer lending, particularly to the underserved, rather than on business loans. The NCUA proposed rule would dramatically alter this congressionally mandated emphasis. With the proposed rule change of the statutory cap, by which Congress mandated a consumer lending emphasis, would be rendered meaningless by allowing credit unions to dramatically exceed the statutory requirements.

More importantly, by "clarifying" that non-member business loan participations do not count towards the statutory limits, the NCUA will remove important loan quality checks and balances. The caps in place today allow for regulatory oversight into concentrations, scrutiny of personal guarantees, loan-to-value limitations and collateral requirements, all of which would be weakened by the proposed change.

For the credit unions that do make business loans, these programs continue to be the source of problems. At least five credit unions have failed since 2010 at the hands of poorly run business loan programs, accounting for a quarter of all losses to the NCUA insurance fund during that period. In addition, member business loan programs continue to be a contributing factor for supervisory concerns for credit unions with CAMEL ratings of 3, 4 or 5 that make business loans.

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Relaxing the regulatory standards for business loan programs is not good for the NCUA's charge to protect the insurance fund, not good for taxpayers who will face additional exposure from risky business loans and not good for the lending industry or economy in general.

During the previous economic downturn, credit unions benefited when media attention turned to the big banks whose irresponsible lending practices contributed to the economic decline. If credit union lenders are engaged in riskier deals with lax underwriting standards, credit unions may actually contribute to the next decline and face a similar blowback in the court of public opinion. That is why it is best for the credit union industry as a whole to maintain their commitment to filling gaps in consumer lending.

For these reasons, we strongly encourage you not to adopt the proposed rule changes regarding a change in definition for participation loans nor weaken credit union business lending requirements in any way.

Sincerely,

Joe LaPorte, III
Chairman & CEO

Bill Dudney
President

cc: The Honorable Bob Corker
United States Senate
3322 West End Avenue, Suite 610
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The Honorable Lamar Alexander
United States Senate
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