



August 24, 2015

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

Re: Comments on Proposed Rulemaking for Member Business Loans, Part 723

Dear Mr. Poliquin:

I am writing on behalf of First-Citizens Bank & Trust Company to express our concerns with and opposition to the NCUA's proposed changes to the Member Business Lending regulations (12 C.F.R. Part 723). We appreciate the opportunity to comment.

Our concerns with the NCUA's proposed changes to its Business Lending Rule include the following:

- Safety and soundness. We question whether the NCUA has the resources and experience to adequately supervise the increased risk posed by relaxing the current restrictions on Member Business Loans and loan participations. We are concerned that a lack of adequate supervision could result in significant losses throughout the credit union industry and pose serious threats to credit unions' safety and soundness and, consequently, to the industry's insurance fund. By failing to protect the insurance fund, the NCUA effectively places the taxpayer at risk.
- Circumvention of Congressional intent. The NCUA's attempt to broaden credit unions' powers and authority beyond that authorized by federal law is an inappropriate circumvention of Congressional intent and further deviates from Congress' clear mandate under the Federal Credit Union Act that the mission of credit unions is to meet the credit and savings needs of consumers. The rule changes will encourage credit unions to divert funds from consumer lending to commercial lending, which is at odds with the industry's Congressional mandate. The NCUA has frequently pushed the boundaries of credit union authority beyond the powers that were authorized by Congress. The proposed changes represent a further erosion of the industry's original mandate, which was the basis for its special tax-exempt status and resulting competitive advantage.

Our concerns with the NCUA's proposed rule are based on our history and experience. First Citizens Bank is a state-chartered non-member bank, headquartered in Raleigh, North Carolina, and is a wholly-owned subsidiary of First Citizens BancShares, Inc., which has over \$30 billion in assets. First Citizens Bank has more than 570 offices in 18 states, and provides deposit, lending and other financial products and services to individuals and businesses in our market areas with a community bank approach to customer service. A substantial portion of our revenue is derived from our operations throughout North Carolina, South Carolina, and Virginia and in certain urban areas of Georgia, Florida, California and

Texas. We deliver products and services to our customers through our extensive branch network as well as our online, telephone and mobile banking channels and our ATM network.

As of June 30, 2015, First Citizens' commercial and business loans outstanding totaled \$12.2 billion, representing 66% of our total credit portfolio. Our commercial and business loans include construction and land development, mortgage, other commercial real estate, commercial and industrial, lease financing and loans to non-profit organizations. We maintain an allowance for loan and lease losses ("ALLL") at appropriate levels as required by state and federal laws and regulations, and continuously monitor and actively manage the credit quality of the entire loan portfolio. We rely on quantitative models to measure risks and to estimate certain financial values and use such models in many processes, including classifications of loans, setting interest rates on loans, quantifying market risks and forecasting losses. We have several internal credit committees staffed by senior officers of the Bank, including a Credit Policy Committee, a Special Assets Committee, a Senior Loan Committee, an Enterprise Risk Oversight Committee, a Credit Risk Committee, and a Credit and Appraisal Policy Committee. These committees meet regularly and closely monitor the status of our credit portfolio and credit risk; establish and review credit and appraisal policies and procedures; decision, monitor and establish limits for large credit relationships; and establish reserves. Our Board of Directors and its Audit Committee, Risk Committee and Executive Committee are routinely provided with credit-related reports and provide Board-level oversight.

We are regulated and examined by the North Carolina Office of the Commissioner of Banks and the FDIC, and our holding company is regulated by the Federal Reserve Board and examined by the Federal Reserve Bank of Richmond. These regulatory agencies, as an integral part of their examination process, routinely review and monitor our lending practices, credit concentrations and credit quality, and the adequacy of our ALLL.

First Citizens Bank opened in 1898 as the Bank of Smithfield in Smithfield, North Carolina. Throughout its history, First Citizens has benefitted from stable leadership, adherence to traditional values, an emphasis on customer service, and a conservative business approach, including conservative lending policies and practices. This heritage has enabled the Bank to successfully weather the economic challenges of the past. However, over the many decades that we have been in business, we have witnessed the demise of many financial institutions in our various markets that were not as fortunate or cautious. Smaller community financial institutions in particular have been susceptible to the significant impact on their loan portfolios and balance sheets of fluctuations in economic and market conditions and, in some cases, inadequate or inappropriate evaluation and/or monitoring of credit relationships and risk.

We urge the NCUA to refrain from exposing the credit union industry, the communities the industry serves, and the taxpayer, to a significantly heightened risk of substantial economic injury and loss.

Sincerely,



Edward L. Willingham, IV
Chief Operating Officer