August 28, 2015

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

Dear Mr. Poliquin,

Nassau Educators Federal Credit Union (NEFCU) appreciates the opportunity to comment on the NCUA Board's proposed rulemaking for 12 CFR Part 723. We strongly support the proposed changes intended to modernize the way Member Business Lending is regulated, by eliminating prescriptive requirements and incorporating principles-based approach. We are confident that the proposed rule will allow credit unions with sound credit administration and risk management procedures in place to serve the business financing needs of their members in a more efficient and effective manner.

NEFCU, established in 1938, currently serves nearly 161,000 members on Long Island, NY, with over $2.3 billion in assets. We have offered business lending products to our members since 2007, and our current MBL exposure is about $176 million. We have sound credit policies as well as solid underwriting, closing, servicing, and risk management procedures. We have made significant investments in our staff and systems over the years. Each of our member business lending staff has extensive banking and business lending experience, far exceeding what the current regulation requires.

Our member business loan portfolio has steadily grown as we maintain strong credit quality and credit culture within the organization. The historical delinquency rate on our member business lending portfolio has been nearly zero. Many times, however, our efforts to serve the business members have been hampered by the current statutory member business lending regulations, as we compete with local community banks on a daily basis. As a result, we have lost many opportunities to provide effective financing solutions to existing and potential members.

We believe the proposed changes will enhance our ability to meet the needs of our business members, building new member relationships and deepen our relationships with existing members. In particular, the elimination of the waiver requirements will not only remove unnecessary regulatory burdens but also streamline the business lending process, empowering credit unions to provide timely financial services to creditworthy members. The elimination of prescriptive requirements on unlimited personal guarantees and collateral will allow credit unions to offer more flexible financing options for strong borrowers with satisfactory cash flow and capitalization. We have already developed plans to establish house limits and monitor such exposures closely. The elimination of minimum 25% equity injection requirement for construction projects and 15% concentration limit on construction and development loans will lift unnecessary hurdles that have put credit unions at competitive disadvantage. Removing participation interests in a non-member business loans from MBL exposure will provide room for credit unions to invest in quality assets, if readily available in the local market.

A financial institution engaged in business lending must be able to evaluate and accept risk with safety and soundness in mind. Lack of such ability may fail any financial institution, whether a bank or credit union. Like most of other credit unions in the commercial lending business, we believe we are well prepared to manage the risks associated with our business lending products, and meet the diversified financing needs of our business members.

In addition to the proposed changes, we would like to request the Board to consider the following:

- Granting credit unions with a sound CAMEL rating of 1 or 2 the ability to comply with the new rule as soon as it is finalized, not having to wait the prescribed 18 month implementation period. This will allow credit unions with sound credit practices in place to benefit from the proposed changes immediately.
- Granting credit unions with a sound CAMEL rating of 1 or 2 an increase in MBL cap for fully secured member business loans. The increase can be based on a credit union's risk based capital.
- Extending the current 15-year term limit. Again, we are competing with community banks and non-bank lenders offering 20 to 30-year loan term and amortization periods.

Again, we appreciate NCUA's efforts to modernize the MBL rule. We look forward to the timely implementation of the proposed changes which will only have positive impact on our overall business lending and risk management process. Thank you very much for your time to consider our comments.

Fraternally,

Charles J. Giuliano
Vice President of Member Business Lending
NEFCU

cc: CUNA, NAFCU & NYCUA