



August 31, 2015

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

Re: Member Business Loans; Commercial Lending

Dear Mr. Poliquin:

ESL Federal Credit Union (“ESL”) located in Rochester, NY and serving approximately 325,000 members, appreciates this opportunity to comment on the National Credit Union Administration Board's (the “Board”) Proposed Rule on Member Business Loans and Commercial Lending (the “Proposed Rule”).

In issuing the Proposed Rule, the Board’s intent is to shift its approach to regulating commercial lending from a prescriptive rule to a principles-based rule by eliminating specific regulatory collateral criteria and portfolio limits in favor of each credit union’s risk management process, internal policies, and experience.

We agree with the Board’s approach in implementing a principles-based rule. Having the autonomy and flexibility to administer, underwrite and service commercial loans will greatly enhance our ability to serve our members and prospective members. That autonomy, coupled with a prudent risk management process, experienced staff, and organizational discipline, achieves the Board’s goal of updating and clarifying the member business lending regulations while ensuring safety and soundness remain paramount.

Eliminating the constraining collateral and security requirements in the current rule in favor of a rule that allows each individual credit union to set its own underwriting standards based on its own membership, business model, and risk appetite will increase our ability to serve members that we typically have to turn away. ESL has found it difficult to adopt a consistent, streamlined method for valuing collateral other than real estate and have been unable to serve members with asset-based collateral. For example, in our field of membership there are nearly seven thousand healthcare related businesses. After initially seeking financing from ESL, some of these businesses ended up getting their financing from regional or commercial banks because of the banks’ ability to offer more flexible loan-to-value requirements on collateral. The modernized regulatory requirements will allow ESL to better serve these potential members and our entire community.

While we are in agreement with most of the changes, we would appreciate clarification on two items: 1. How waiver requests will be treated during the interim period between the issuance of a Final Rule and the effective date of the Final Rule; and 2. The definition of “pecuniary interest” as it relates to Associated Borrower.

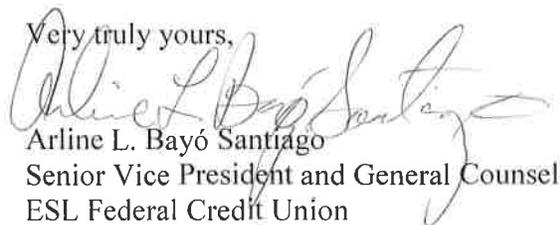
First, we understand that under the Proposed Rule, blanket waivers will terminate on the effective date of a Final Rule and that a Final Rule will be effective 18 months after it is finalized. We do request clarification on how the NCUA will treat waiver requests during the 18 month delayed implementation timeframe. Our concern is that some may view expending resources on a waiver request as a waste as that waiver—assuming it is a blanket waiver request—will be moot upon the effective date of a Final Rule. Put another way, if we discover the need for a waiver request so that we may better serve our members, and that need is discovered after the Rule’s finalization but before its effective date, will the waiver be given serious consideration?

Second, we appreciate the Board’s efforts to provide consistency by eliminating the Associated Member definition, replacing it with Associated Borrower and adding the concepts of Common Enterprise, Direct Benefit and Control. However, the new definition is confusing and, we believe, does not achieve the desired intent. The proposed definition retains the Associated Member concepts of “shared ownership, investment, or other pecuniary interest”. If the Board’s intent is to be consistent with the combination rules applicable to banks, we recommend removing the first sentence of the proposed definition of Associated Borrower so that the definition reads, “Associated Borrower means any person or entity named as a borrower or debtor in a loan or extension of credit, or any other person or entity, such as a drawer, endorser, or guarantor, engaged in a common enterprise with the borrower, or deriving a direct benefit from the loan to the borrower.”

In conclusion, we fully support the Board’s goal to update, clarify and simplify the member business lending regulations and believe the Proposed Rule helps achieve that goal. Having a principles-based rule that relies on each credit union’s experience provides both flexibility to the credit union while preserving safety and soundness. The Proposed Rule, with clarification on a few items, will ensure credit unions engaged in business lending are meeting the needs of their members and prospective members while maintain strong, appropriate internal controls.

ESL appreciates this opportunity to comment on the Proposed Rule. If you have any questions or would like to discuss this Comment Letter, please contact me at asantiago@esl.org or 585.336.5712.

Very truly yours,



Arline L. Bayó Santiago
Senior Vice President and General Counsel
ESL Federal Credit Union