AMPLIFY®
CREDIT UNION

February 17, 2012

Ms. Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

Subject: NCUA Docket No. 3133-AE00: Loan Participations; Purchase, Sale and Pledge of Eligible Obligations; Purchase of Assets and Assumption of Liabilities

Dear Secretary Rupp:

Amplify Federal Credit Union ("Amplify") is a federal chartered institution serving the communities in and around Austin, Texas since 1967. Amplify is approximately $565-million in assets and serves 43,000 members. We are deeply experienced with loan participations, both buying and selling over the years, and we believe that this ability has helped us increase earnings, diversify our loan portfolio, better manage the associated risks, and plan for the future.

Amplify supports the effort of the NCUA to improve the safety and soundness of credit unions and protect the share insurance fund. While such efforts have the goal of sustaining long-term success for the credit union movement, we have significant concerns about the unintended consequences and detrimental impacts of this proposal. Please find our comments below.

> ***§701.22(b)(5)(ii) – loan participations that may be purchased from any one originating lender, not to exceed 25 percent of the credit union's net worth.***

We do not support the arbitrary limitations being proposed. The impact will adversely limit a credit union's ability to prudently manage its balance sheet; which in turn will hinder other credit unions in managing their balance sheet as well. As a credit union interested in selling loan participations, this proposal will limit our ability to find willing **<u>and</u>** able participants – especially in our local community; and limit our collective effort to serve more members. Further, this proposal will impact our ability to generate additional liquidity or invest idle funds, and will add greater risk to the share insurance fund by limiting ways to earn income for both buyers and sellers of participations.

Further, this proposal increases future share insurance fund risk by reducing loan diversification. For example, the proposal would reduce loan participations, which inevitably would reduce credit union ownership and diversification on loans. This will leave larger loans on an individual credit union's books, and in the case where a large loan goes bad, ALL of that loan risk and loss is then concentrated in that one CU, rather than spread across multiple participants. This consolidation of loan risk into fewer credit unions will likely increase the risk and cost to the NCUA insurance fund, clearly contrary to your intended results.

Furthermore, a one-size-fit-all approach seems counterintuitive to allowing credit unions to manage their risks based on established and fully vetted policies and program. What works for Amplify on its Asset Liability Management (ALM) basis, should not, be forced upon another institution. Thus, each credit union should be allowed to implement and manage loan participation programs on a case-by-case basis, which can be overseen by the NCUA through the examination and enforcement process.

In any event, if the NCUA believes there are no other reasonable alternatives but to implement such a uniformly restrictive rule, then we would respectfully request that a waiver process be included to allow institutions with proven loan participation experience some flexibility in managing their balance sheets. Again, we believe safe and sound ALM programs - along with appropriate loan due diligence processes - are instrumental in reducing such risk to the share insurance fund. In addition, the NCUA has the experienced examiners and tools currently in place to monitor such activities.

We appreciate the opportunity to comment. As proposed, the rule has a very negative impact on our ability to manage and diversify risk, generate earnings, and places a further regulatory burden on us at a time when regulatory mandates are simply overwhelming. We respectfully request the NCUA postpone this arbitrary rule to conduct further due diligence to examine the actual impacts that loan participation limits would have on the share insurance fund, as well as the credit union industry as a whole. And once those impacts are more clearly understood, then a more thoroughly vetted decision can be made and communicated that better meets the mutual needs of all interested parties.

Thank you for the consideration.

Regards,

Paul A. Trylko
President/CEO

Ron Gregg
Board Vice-Chair

XC: Amplify FCU Board of Directors
Suzanne Yashewski
Senior Vice-President of Regulatory & Compliance
Texas Credit Union League