From:	Don Johnson
To:	_Regulatory Comments
Subject:	DVA FCU comments on Proposed Rule on Loan Participations
Date:	Monday, January 23, 2012 9:02:32 AM

I fully understand the NCUA's concern over loan participations and the desire to minimize risk to the credit union system through concentration limits tied to one originator. Since the vast majority of participation loans are large by their very nature and are primarily focused on commercial real estate and other types of MBL's there is a concern that underwriting deficiencies and/or economic factors affecting one originator or one borrower can have a major impact on the purchasing CU. The concentration limits make perfect sense for these circumstances. However, there are opportunities to purchase consumer participation loans (i.e. auto and signature loans)from other credit unions. These types of participation loans do not carry the same inherent risk as commercial real estate or other MBL's since they consist of many small loans with multiple borrowers, rapid repayments and where applicable, many pieces of collateral. For these types of participation loans the concentration limits are not needed and the proposed rule does not seem to make distinction between consumer participation loans and other riskier participation loans.

We are having a difficult time making auto loans due to competition in our market. For this reason we purchased nearly $1 million in auto loans from a smaller credit union last year. We reviewed each individual loan file but we also had to do a great deal of additional research as we reviewed the selling CU's financials, management, portfolio performance, local market, etc. The loans were all of very good quality and we would like to continue purchasing from this CU. Future purchases are made much simpler and faster because the due diligence has already been completed and requires only an update on our part. Based on our net worth the proposed concentration limits would restrict our purchases to approximately $2.5 million. After $2.5 million we would need to find another CU willing to sell and we would have to do all of the due diligence over again. This is a very costly proposition for a $100 million CU with limited staff qualified to perform such an evaluation, especially when the risk factors for the loans purchased are not that great. It also limits the ability of the smaller credit union to utilize a purchaser with whom they already have a relationship.

I would ask that NCUA consider less stringent restrictions on consumer loan participations or an overall exemption from concentration limits for consumer participation loans based on the risk profile of the underlying loans.

Thank you for the opportunity to comment.

Don Johnson
Executive Director of Lending
NMLS #786157
DVA Federal Credit Union
Washington, DC
202.737.6969 x 230
202.737.2992 fax

djohnson@dvafcu.org