Altier
CREDIT UNION™

January 25, 2012

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

Re: Comments on NCUA Proposed Rule on Participations
12 CFR Parts 701 and 741

Dear Ms. Rupp:
Having been active in loan participations for the past ten years and developing policies that address risk by diversification for Altier Credit Union, we feel that the proposed changes in the rule are broadly valid and will reduce systematic risk. In review of the changes, we do feel that the NCUA staff responsible for the proposed changes has created difficulties for some of us with well designed participation programs.

Firstly, the basic premise of any credit union in wanting to consider participations is that in evaluating the risk, the credit union should be capable in servicing the loans should the originating seller not be able to continue said function. The participation agreement should clearly address when and how the buyer has the right to take over the servicing or arrange for a third party servicer. The more timely solution is the participation buyer having the capability of handling the activity. The delay in trying to find a third party, unless specified in the participation agreement, is disruptive to the members with the loans. We acknowledge this clearly would be a difficult task for smaller credit unions, but in addressing systematic risk perhaps small participants should be excluded versus limiting those that can address servicing risk.

Secondly, in establishing the maximum 25% of capital of a FICU's net worth for participations from a single originator, the rule provides diversification which actually matches our policy used over many years. Albeit, it does not take into account the risk of the underlying collateral and allow for exceptions. Altier Credit Union has a separate policy limit for taxi medallion loan participations due to the quality of the unique underlying collateral. Historically there have not been losses in taxi medallion loans with a LTV (loan to value) of less than 80%. In addition, the credit unions involved in the 90%/10% participations under law have immediate rights to the taxi medallion, i.e. not subject to repossession delays and simply are issued a replacement for sale. This collateral is well known to the NCUA given the many years they have regulated the credit

unions in the New York, Boston, Philadelphia, and San Francisco locals. In addition, there are a limited amount of originators in taxi medallion participation lending which penalizes this asset category under the proposed rule. A limit based on overall loan portfolio not capital would be a possibility or a multiple of capital would allow the diversification yet not penalize those of us using this as part of our overall loan diversification strategy.

Thirdly, for those of us that utilized statistical samples of the loan pools and evaluate them against our own underwriting policies prior to finalizing a participation loan, we would like to think the overall risk level is reduced. To restrict participations to a blanket 25% of net worth is applying a one size fits all approach when the approach should be more related to the institutions participation program management, complexity, due diligence procedures and historical performances. Our participation due diligence practices and procedures are sound and we make every effort to manage the associated risk while maintaining a reasonable return. We ask that the board regulate credit unions on the merits of their loan participation management rather that to apply an arbitrary limit of participations.

Fourthly, In referring to the lower delinquency of loan participation portfolios of federally insured credit unions (FICU's) of 3.74% versus federally insured state credit unions (FISCU's) of 4.11%, it is clear that the statistics are not clearly defining the numbers as to makeup of the portfolios. By makeup, we are referring to the collateral behind these portfolios. We believe these numbers are skewed due to business lending participations and real estate participations. Our reasoning is based on Altier's 3 year average delinquency of .50%. Our portfolios are comprised of indirect lending, taxi medallions and manufactured housing. We believe the transparency of where the participation problem exists is lacking from the NCUA's rules notification.

In closing, we realize that the NCUA Board states on page 79549 of the Federal Registry proposed rules that they recognize that there are other factors that need to be considered and would hope that this is seriously considered. The proposal as it stands is very broad and needs to allow for more flexibility given the recognized importance of participation funding throughout the Federal and State credit union network. The need for this lending product in growing income and capital given the current economic reality cannot be ignored. We respectfully request the NCUA Board consider these factors prior to approving their final rules on loan participations.

Sincerely,

Harry M. Mateer

President / CEO

David L. Skilton

Sr. Vice President / CFO