AMERICA'S CHRISTIAN
CREDIT UNION

January 31, 2012

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

Subject: Proposed Rules on Loan Participations

Dear Mrs Rupp:

On behalf of America's Christian Credit Union, we appreciate the previous guidance provided by your office to credit unions and the value it serves in removing ambiguity among credit union management, regulators and auditors. Your office plays a vital role in interpreting many of the complex rules and regulations governing credit unions.

America's Christian Credit Union is the 7th largest loan participation seller. Our core competencies in member business lending as a faith based lender have allowed us to provide effective financing for borrowers with above average risk adjusted returns for our and loan participation purchasers' portfolios.

Attached to this letter is America's Christian Credit Union's response to the proposed changes to 12 CFR Parts 701 and 741, Loan Participations; Purchase, Sale and Pledge of Eligible Obligations; Purchase of Assets and Assumption of Liabilities.

In our opinion, the proposed rules changes, if implemented as proposed, create additional restrictions which would have significant and unintended negative impacts to the credit union industry and actually create more systemic risk to the share insurance fund. Our concerns with specific proposed rules changes include the following areas:

- Removal of 701.22(c)(4) as an exception, which allows credit unions to purchase loan participations that were originated with different underwriting standards than its own
- Increasing state chartered credit union retention requirements to 10 percent for the loan's duration
- Limiting loan participation purchases involving a single originator to a maximum of 25 percent of the FICU's net worth, with no provision for a waiver of the proposed 25 percent limit
- Limiting loan participation purchases involving one borrower or group of associated borrowers to 15 percent of a FICU's net worth, with exceptions requiring waivers

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- A safety and soundness provision requiring supervisory approval before a federally insured credit union may purchase a loan from an entity that is not insured by the NCUSIF
- The Board proposal to amend Part 741 by adding a new §741.225 to extend the participation rule's coverage to federally insured, state-chartered credit unions
- Diluting the value of industry leading loan participation sellers whom have core competencies, which have consistently provided greater risk adjusted runs to purchasers
- Pushing large volume purchasers into more costly relationships by expanding the number of loan participation seller due diligence reviews and potentially into collateral categories with lower levels of both origination and purchasing expertise
- Hampering credit unions' ability to de-concentrate the portfolios in areas where they have core competencies in origination
- Infringing on dual chartered system and states' legal authority
- Establishes a revised and unreasonably expanded and restrictive definition of associated borrower, which would place several credit unions into non-compliance and create unjustified going concerns issues with well performing credit unions

The proposed rules changes are followed by a detailed explanation of our specific concerns within the attached comments response.

We believe the macro diversification impacts of participations lowers systemic risk to the share insurance fund, by providing diversification to credit unions via:

- Loans outside their membership base and SEG concentrations
- Expanded geographic footprint
- Loan portfolio diversification outside their members' appetite for loans
- Spreading out potential losses among multiple participants
- Providing higher risk-adjusted returns as compared to investments
- Stimulating economic health for members by providing more access to loans and lower borrowing rates which result in lower monthly payments due from borrowers
- Expanding the credit union industry, thus providing a larger base of shares for spreading out assessments with less concentration

In our opinion, the existing federally chartered limit of 10% retention should be amended to 5% for reasons discussed here within. We believe the proposed regulatory changes, as presented, would result in creating additional systemic risk to the NCUSIF, by significantly reducing liquidity within the industry, decreasing the number of participations sold, which based on our direct experience would result in lower risk adjusted returns as loan participation purchasers turn to investments. Lower relative risk adjusted returns via investments will have negative impacts to both sellers and purchasers. Sellers would also be deprived of income generated from mortgage servicing rights. We believe these negative impacts would

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be coupled with none of the desired improvements to the safety and soundness within the credit union industry.

Existing regulation provides most required protections for participant purchasers. Alternative rule changes could include steps which would improve examiners' oversight and formalize the due diligence process for evaluating and purchasing loan participations by credit unions. This could include:

1. Requiring participation purchasers to document their due diligence review in a similar format to the NCUA examiners, "Loan Participation Tab";
2. Policy requirements, including notional balance Board approved limits, which match loan participation purchase decisions made or recommended by management with sufficient expertise rather than seniority;
3. Examiner or compliance review of underwriting standards to loans originated by sellers;
4. Requiring a written risk assessment and completion of due diligence prior to entering the third party loan purchases along with board approval for all loan sellers;
5. Formalizing a loan underwriting framework which sets minimum due diligence requirements as previously noted by letters to credit unions as "should" components of due diligence; and
6. Defining associated borrowers as co-borrowers with ownership interest and/or monthly payment obligations.

These potential rule changes included above are not required changes and are actions most organizations currently undertake in some form. Formalizing the processes above as rules changes could provide examiners with a more consistent framework, which would minimize confusion concerning the application of the current loan participation rules regarding the entities and transactions subject to those rules. These changes also directly address the risk associated with lending and purchasing participations, rather than merely restricting participation purchases.

We agree with the NCUA comment, "Loan Participations are a means for institutions to diversify risk and to employ excess lending capacity." We also appreciate the Board's expressed desire to mitigate risk without discouraging continued growth. However, we feel these comments are in direct conflict with other statements made within the proposed rules changes such as, "The Board recognizes however, that loan participations also create more systemic risk to the share insurance fund (NCUSIF)." There is no data present or of which we are aware to support the fundamental premise of this latter comment. We request that the NCUA conduct a study of any and all proposed rules changes which quantifies the financial impacts on the credit union system which:

- Evaluates the direct impacts to small, medium and large loan purchasers and sellers
- Identifies potential undesired impacts to both sellers and purchasers of loan participations
- Include credit union purchasers and sellers in the evaluation of data and discussion of conclusions
- Provides a summary of the cost/benefit to support proposed rules changes

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We extend an open invitation to provide support and feedback in evaluating data and discussing conclusions regarding further analysis of proposed rules changes and appreciate the opportunity to comment.

Regards,

David O. Morse, Chairman

Norm Sauvé, Vice Chairman

Ridge Ireland, Secretary

Mendell L. Thompson, Treasurer

Kevin Mannola, Director

Jerry Ferguson, Director

Sylvia Nash, Director

CC: Supervisory Committee
Senior Management

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Comments for the Proposed Rules Changes to Loan Participations

Loan participations have historically provided increased borrowing capacity within the financial services industry which benefits member/borrowers with lower rates, lenders with outlets for their loan origination in excess of their funding capacity, and participation buyers with risk adjusted returns which have consistently outperformed comparable investments. Loan participations also provide an exceptional opportunity for originators and purchasers to diversify their loan portfolios beyond their internally generated loan pipelines. We believe the proposed regulatory changes should take into consideration some of the potential negative impacts. In our opinion, many of the proposed regulatory changes would have the exact opposite desired impact, which could in fact result in increasing system risk, rather than mitigating it. In a time where credit unions can be involved in helping stimulate further economic growth, to help create jobs with competitive market rates and consumer and business funding, many of the proposed changes would place unwarranted restrictions with little to no risk mitigation and consequential results which would increase system risk. We also believe these proposed rules changes infringes on the dual chartered system and states' legal authority.

America's Christian Credit Union is the 7th largest loan participation seller. Our core competencies in member business lending as a faith based lender have allowed us to provide effective financing for borrowers with above average risk adjusted returns for our and loan participation purchasers' portfolios.

Wording which follows in italics are direct extracts from the NCUA's published proposed rules changes. Each extract is followed by management's response regarding concerns with each section.

c. §701.22(b)—Requirements for Loan

Participation Purchases

The Board proposes to revise this paragraph by reorganizing and revising the requirements for a loan participation included in paragraphs (b), (c) and (d) of the current rule. In the proposed rule, information from these paragraphs is organized into a revised paragraph (b), with specific details added to improve clarity and to address safety and soundness concerns. Revised paragraph (b) provides that a FICU may only purchase a loan participation if the seller is an eligible organization and if the loan is one the FICU is empowered to grant under regulation and its loan policies. Empowered to grant means a FICU's authority to make the type of loan permitted by the Federal Credit Union Act or applicable state law, NCUA regulations, and its bylaws and own internal policies. Accordingly, the Board proposes to remove the current exception in 701.22(c)(4), which permits an FCU to purchase a loan participation that was originated with different underwriting standards than its own. Removing this provision prevents a FICU from purchasing a loan participation originated with less stringent underwriting standards than the FICU uses in making its own loans. The proposed rule, however, does not prevent a FICU from

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purchasing a loan participation with more stringent underwriting standards than it uses in originating its own loans.

Management's Response:

The removal of 701.22(c)(4) as an exception would significantly decrease the safety and soundness of the industry by unduly restricting loan sales, decreasing access to liquidity for loan sellers, increase the use of wholesale borrowings, force credit unions to sell loans outside the credit union system and result in loan participation purchasers buying increased levels of agency securities with lower risk adjusted returns as compared to loan participations. Credit unions with expertise in evaluating loan participations, which lack the member demand in a healthy asset category, may also have to explore alternatives in higher risk loans, where they lack internal expertise.

Although underwriting standards may have similarities from credit union to credit union, each credit union will necessarily have different guidelines based on the demographics and credit worthiness of their member borrowers. Strongly associated Select Employer Groups (SEG's) may have lower default and loss rates than community based chartered members with similar borrower characteristics. This would be evident with long term trend analysis and risk adjusted returns between different borrower groups. Credit unions should be required to evaluate whether the underwriting standards, along with the associated collateral performance, warrants the purchase based on the risk adjusted return and comparable investment alternatives.

The removal of this exception would decrease the number of well performing participation sales and require each loan participation buyer to specifically approve and adopt loan participation sellers' underwriting guidelines for what may be a one-time purchase transaction. The proposed language also points to underwriting which may, at the time of origination, disqualify a purchase, while the seasoning and resulting amortization and pay down of the loans now would permit the purchaser to accept a participation for purchase. Loan participation purchases should be based on comprehensive review and projected risk adjusted return. A "C" grade lending credit union selling participations may provide risk adjusted returns in excess of "A" grade borrowers. The proposed regulation appears to have the underlying assumption loan participations occur at origination, which is in many cases inaccurate.

Management requests no change to the current regulation as existing regulation requires loan participation purchasers to perform appropriate due diligence.

The Board also proposes to add a definition of associated borrower. The proposed definition is self-explanatory and is used in the provision on concentration limits in §701.22(b) below.

Associated borrower means any borrower with a shared ownership, investment, or other pecuniary interest in a business or commercial endeavor with the borrower. This includes guarantors, co-signors,

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major stakeholders, owners, investors, affiliates and other parties who have influence on the management, control, or operations of the borrower.

Management's Response:

The proposed new definition as stated would result in overly restrictive definition of associated borrower and place several loans currently allowed in violation of this provision. The broad reaching aspects of this proposed definition would have inconsistent application by credit unions and enforcement by examiners. Guarantors are currently excluded under industry practice and regulatory enforcement, as these entities are not included in the debt service coverage of the borrower at underwriting. Additionally, they have no legal claim to the property and are not included on the deed. While we understand the difficulties in consistent application, the revised definition is too broad and could be left up to inconsistent enforcement by examiners or strict enforcement to mitigate risk which does not exist. The results could be catastrophic for certain credit unions and place them in a position where their future viability is in question as a result of a change in regulation. Including an entity that has pecuniary interest in a business, which was not included in the underwriting of the loan and has no legal requirement for payment does not provide a linkage between a need for mitigation and mitigation of risk. For these reasons, we respectfully request this proposed change be removed.

Other requirements for purchasing a loan participation include a written loan participation agreement, a continuing participation interest by the originating lender of at least 10 percent for the loan's duration, and the borrower's membership in a participating FICU before the purchase occurs.

Management's Response:

Increasing the originating lender's continuing participation interest to at least 10 percent for the loan's duration would have negative consequences. While we agree that it is important that the originating lender maintain an ownership in the loan for the loan's duration, requiring a 10 percent ownership does not significantly mitigate risk above the current regulation. Rather, this change would decrease the number of loan participations available for credit unions to originate and purchase, reduce the number and size of credit union originated loans and push more purchases towards investments, which have lower historical risk adjusted returns. Credit unions with track records of larger notional balance loan origination with core competencies in commercial loan origination and servicing would be restricted by the 15% of net worth limit to associated borrowers with an increased retention requirement, thus preventing some loans from being originated and sold to loan participation buyers. Loan sellers are held accountable by credit and collateral performance, which impacts their ability to sell participations on regular basis. Increasing FISCU originators' ownership to 10 percent does not have a significant impact on risk and oversteps on state charter authority.

The originating lender's retention requirement of any level is an irrelevant component to the transaction, other than to show an on-going relationship with the member. One-off deals by infrequent sellers requires a deeper level of review by a loan participation purchaser that may not have knowledge of the seller's historical loan portfolio performance first hand. Each pool should be evaluated based on the credit quality and collateral pledged in the participation sale. Frequent sellers that make loan participation a portion of their normal course of business are not impacted by the retention portion of the pools they retain to "have skin in the game"; rather, if collateral performance within pools develop track records of fraud or poor performance, these outlets quickly collapse. Additionally, most loan participation agreements have or should have a no fraud provision on behalf of the originator.

Although we do not believe this was the desired intent, the proposed wording creates a material and unplanned restriction with the term "originating lender". This wording would essentially prohibit a whole loan purchaser from selling any portion of a purchased loan as a participation. More appropriate wording would be "lead lender".

The wording "borrower's membership in a participating FICU before the purchase occurs" also raises concerns. Current regulation already requires the lead lender to have a member relationship before originating a loan and participating the loan. The proposed wording seems to indicate that loan participation purchasers would have to make each borrower with a loan in a pool a member of the loan participation purchasing credit union. This would make loan participations uneconomical and severely impact the number of loans even eligible for participation sales. Borrowers would have a say in whether other investors could participate in the loan sales transaction by not agreeing to become a member of the loan participation purchaser. A borrower is not going to join three credit unions simply because a portion of their loan has been participated to multiple buyers. At a time where examiners are more than ever focused on increasing liquidity sources, this would have a material and adverse impact on the salability of loan participations.

The mandatory 10% retention also has negative impacts to borrowers. With a smaller pool of originators, the laws of supply and demand result in higher interest rates and more loan declines as more large borrowers are funneled through fewer lenders. Higher rates and more loan declines further restrict liquidity in the market place and would have negative impacts on the economic recovery.

This higher retention requirement may result in more whole loan purchases. If the current originator had historically sold with a 5% retention on large loans this higher restriction would force the lead lender to sell the loan on a whole loan basis rather than on a participation basis, especially if the loan cannot be held in portfolio due to other restrictions in place.

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Instead of mandating a 10% retention requirement for the originating credit union, we respectfully request a regulatory change to 5% retention requirement for the FICU lead lenders. In our opinion, a 5% retention requirement is sufficient to show ownership in the loan, a relationship with the member, and provides increased loan diversification within the credit union industry. This requested change has no negative impacts on systemic risk and actually could increase the volume of loan participation sales, which could provide economic stimulus and increased stability to the credit union network. The vast majority of costs to the share insurance fund and the collapse of the corporate credit union network were not as a result of credit union lending, but rather a result of securities investments. The proposed regulatory changes would result in a decrease in loan participations and an increase in securities purchases, higher cash balances for purchasers, and a transition into lending categories where the credit union may lack core competencies. The end result is lower projected net worth growth and a shrinking credit union industry. A shrinking industry also would also translate into higher assessment rates as the corporate credit union assessments are spread out over a smaller industry.

The Board proposes to limit loan participation purchases involving a single originator to a maximum of 25 percent of a FICU's net worth. No waiver provision is proposed for the 25 percent limitation.

Management's Response:

Since the vast majority of loan participation sales are completed on a non-recourse basis, this provision creates a regulatory restriction to limit exposure where it has no potential nor legal right to recovery on a non-recourse sales transaction. Since non-recourse sales are tied to the collateral as support, this proposed provision is not only ineffective, it creates an additional restriction which impedes loan participation purchasers and sellers without providing any real risk reduction. In our opinion, this additional restriction hampers the credit union's ability to fund and participate such loans, with resulting unintended negative economic impacts, no real risk reduction, and increased systemic risk.

The proposed change would also:

- Dilute the value of industry leading loan participation sellers whom have core competencies, which have consistently provided greater risk adjusted returns to purchasers
- Push large volume purchasers into more costly relationships by expanding the number of loan participation seller due diligence reviews and potentially into collateral categories with lower levels of both origination and purchasing expertise
- Hamper credit unions' ability to de-concentrate the portfolios in areas where they have core competencies in origination

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- Increase the servicing cost of loan participation sales by increasing the number of participants needed in a deal, which would result in larger servicing fees and lower pass through rates to participants.

For these reasons, we respectfully request this proposed change be removed.

It also proposes to limit loan participation purchases involving one borrower or a group of associated borrowers to 15 percent of a FICU's net worth, unless the appropriate regional director grants a waiver. These limits consider that a FICU purchasing a loan participation generally does not directly manage the risks associated with the loan relationship, including borrower contact and collection control. The 15 percent limitation is consistent with the 15 percent limitation on member business loans to one member or group of associated members set forth in §723.8 of the member business loan rule.

Management's Response:

Management believes this provision creates a limit where the cost of tracking the concentration outweighs the benefit. The originating credit union is the servicer of these loans and as such maintains the borrower or associated borrower tracking as these relationships are maintained within the servicing/originating credit union's core systems. This proposed restriction would require each loan participation purchasers to track individual loans within each participation sold, not only from one seller, but from all sellers and their own portfolio. Such tracking would require functionality for offline loans, loans serviced outside of their own portfolios, which we believe no core system provide currently provides. As such this proposed change could prohibit credit union purchasers from buying altogether while they built stand-alone systems and reporting to track the borrower and associated borrower relationships for offline loans. This restriction may drive many loan participation buyers out of the purchase business, decrease the liquidity of loan participation sales and result in higher borrowing rates, which would negatively impact the economic growth of the US economy. The Administration and Congress are working to reduce over-burdensome regulation which impedes and increases the cost of doing business, especially when the regulation will not reduce system risk. For these reasons we respectfully request this provision be removed.

2. §741.8—Purchase of Assets and Assumption of Liabilities

Section 741.8 is a safety and soundness provision requiring supervisory approval before a federally insured credit union may purchase a loan from an entity that is not insured by the NCUSIF.

Management's Response:

Since the vast majority of loan participation sales are completed on a non-recourse basis, this provision creates a regulatory restriction to limit exposure where it has no potential nor legal right to recovery on a non-recourse sales transaction. Since non-recourse sales transactions are tied to the collateral as support, this proposed provision is not only ineffective, it creates an additional restriction which impedes loan participation purchasers and sellers without providing any real risk reduction. In our opinion, this additional restriction impedes credit unions' ability to fund loans and participate such loans, with resulting unintended negative impacts to the US economy. These restrictions are not placed on securities purchases that are allowed within policy and regulatory guidance. Again, the loan participation purchase decision should be based on the credit and collateral, not the originator and most certainly not based on the insurer of the institution, particularly for non-recourse loans where none of these factors support or backup the participation, other than in cases of fraud or misrepresentations on behalf of the lender. Examiners should focus on the participants' ability to perform sufficient due diligence to support purchase decisions rather than place restrictions based on the insurer. We also feel this regulatory change would provide an implied "stamp of approval" from all NCUSIF institutions, which we do not believe is the intent of the NCUA. Management agrees with this proposed change if this provision is meant to address loans sold on a full recourse basis only. For these reasons we respectfully request this provision be removed or addressed to full recourse sales only.

The Board propose to amend Part 741 by adding a new §741.225 to extend the participation rule's coverage to federally insured, state-chartered credit unions.

Management's Response:

The proposed revised Part 741 includes several areas of concern. Management previously discussed the definition associated borrower and the use of Originating Lender restrictions. The discussion on this section of proposed changes also presented additional partially unsupported statements. Although delinquencies have increased in recent years, decisions should not be made on short term results. Additionally, the information provided is too limited to support any conclusion. The increase in charge-off percentage provides limited clarity as to what the original base value was and whether FISCU participations provided risk adjusted long term yields above comparable alternatives. Higher delinquencies and charge-offs are acceptable if the risk adjusted return provided a comparable economic advantage to the loan participation purchaser. Unwarranted restrictions on FISCU participations would have negative impacts on borrowers' ability to obtain funding which would negatively impact the US economy. Management believes regulators should focus on monitoring underwriting standards, problem originators and the appropriateness of risk adjusted pricing which provides acceptable returns in the long

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run, rather than restrictions which would impede credit unions from making prudent loans to their members on a risk adjusted basis. Regulation should be in line with the NCUA public statements on lending, which present credit unions as part of the solution to economic recovery and safe and sound lending. These changes in our opinion would negatively impact the economy.

The percent increases references regarding delinquency and charge-offs within the proposed regulatory changes are large increases. However, these large increases are based off of small base values and for a short period of time and without taking into account the risk adjusted returns.

Management analysis and comparison of both participated asset classes against portfolio loan asset classes show lower charge-offs in the asset categories participated compared to those asset classes we portfolio. In fact, over the last 11 plus years, charge-offs in each and every year have been lower on asset classes participated, compared to the consumer loan portfolio which is not sold. Additionally, the portfolio rates are higher in the asset classes participated. This analysis illustrates that in each and every year going back over 11 years of historical performance, the asset classes which were sold on a participation basis out performed on both a total return and risk adjusted basis consumer loan asset classes which were not sold. Management believes safe and sound underwriting is and should be the main concern for examiners as it relates to systemic risk, regardless of whether the loans are sold or remain within the loan portfolio. A table illustrating America's Christian Credit Union's charge-off history is provided in Appendix A.

Summary

We support the Board's recognition that involvement in loan participations strengthens the credit union industry, although we disagree with the Board's position that loan participations create more systemic risk to the share insurance fund. The interconnections between credit unions for non-recourse participations are limited to the collateral exposure involved within the participations, which actually reduces systemic risk. The macro diversification impacts of participations lower systemic risk to the share insurance fund by providing diversification to credit unions based on:

- Loans outside their membership base and SEG concentrations
- Expanded geographic footprint and loan distributions
- Loan portfolio diversification outside their members' appetite for loans
- Spreading out potential losses among multiple participants
- Providing higher risk-adjusted returns as compared to investments
- Stimulating economic health for members by providing more access to loans and lower borrowing rates, which result in lower monthly payments due from borrowers
- Expanding the credit union industry, thus providing a larger base of shares for spreading out assessments with less concentration

In our opinion, the existing federally chartered limit of 10% retention should be amended to 5% for reasons discussed here within. We believe the proposed regulatory changes as presented would result in creating more systemic risk to the NCUSIF, with none of the desired improvements to the safety and soundness of the share insurance fund.

Existing regulation provides most required protections for participant purchasers. Alternative rules changes could include steps which would improve examiners' oversight and formalize the due diligence process for evaluating and purchasing loan participations by credit unions. This could include:

1. Requiring participation purchasers to document their due diligence review in a similar format to the NCUA examiners, "Loan Participation Tab";
2. Policy requirements, including notional balance Board approved limits,, which match loan participation purchase decisions made or recommended by management with sufficient expertise rather than seniority;
3. Examiner or compliance review of underwriting standards to loans originated by sellers;
4. Requiring a written risk assessment and completion of due diligence prior to entering the third party loan purchases along with board approval for all loan sellers;
5. Formalizing a loan underwriting framework which sets minimum due diligence requirements as previously noted by letters to credit unions as "should" components of due diligence; and
6. Defining associated borrowers as co-borrowers with ownership interest and/or monthly payment obligations.

These potential rule changes included above are not required changes and are actions most organizations currently undertake in some form. Formalizing the processes above as rules changes could provide examiners with a more consistent framework, which would minimize confusion concerning the application of the current loan participation rules regarding the entities and transactions subject to those rules. These changes also directly address the risk associated with lending and purchasing participations, rather than merely restricting participation purchases.

We agree with the NCUA comment, "Loan Participations are a means for institutions to diversify risk and to employ excess lending capacity." We also appreciate the Board's expressed desire to mitigate risk without discouraging continued growth. However, we feel these comments are in direct conflict with other statements made within the proposed rules changes such as, "The Board recognizes however, that loan participations also create more systemic risk to the share insurance fund (NCUSIF)." There is no data present or of which we are aware to support the fundamental premise of this latter comment. We request that the NCUA conduct a study of any and all proposed rules changes which quantifies financial impacts on the credit union system which:

- Evaluates the direct impacts to small, medium and large loan purchasers and sellers
- Identifies potential undesired impacts to both sellers and purchasers of loan participations

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- Include credit union purchasers and sellers in the evaluation of data and discussion on conclusions
- Provides a summary of the cost/benefit to support proposed rules changes

We believe the information provided during this initial comment period does not support the proposed rules changes or result in the desired impact of mitigating risk without discouraging growth. We extend an open invitation to provide support and feedback in evaluating data and discussing conclusions regarding further analysis of proposed rules changes and appreciate the opportunity to comment.

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Historical ACCU Charge-Offs to Average Assets 2000 - September 2011

	Charge-Offs			Consumer Charge-Offs	Average Balances		Charge-off Factor	
	Consumer	Business	Recoveries	Net of Recoveries	Consumer	Business	Consumer	Business
2000	431,439	18,461	25,028	406,410	51,325,151	51,548,675	0.79%	0.04%
2001	545,277	-	16,410	528,867	49,154,215	58,002,883	1.08%	0.00%
2002	688,280	-	21,507	666,772	37,453,782	70,504,062	1.78%	0.00%
2003	507,221	279	38,012	469,209	29,193,740	89,194,448	1.61%	0.00%
2004	196,655	28,944	22,966	173,690	27,605,551	102,851,646	0.63%	0.03%
2005	181,411	-	29,783	151,628	29,438,210	112,973,639	0.52%	0.00%
2006	178,705	21,374	7,204	171,501	31,407,744	122,765,626	0.55%	0.02%
2007	133,294	22,553	11,075	122,218	32,684,338	139,474,220	0.37%	0.02%
2008	373,828	93,310	36,405	337,423	32,217,338	158,897,979	1.05%	0.06%
2009	785,601	81,641	132,127	653,473	28,495,631	174,209,009	2.29%	0.05%
2010	280,801	217,970	64,625	216,176	26,684,442	179,585,099	0.81%	0.12%
Sept. YTD 2011	486,372	270,045	57,715	428,658	28,240,887	182,868,921	1.52%	0.15%
Total	4,788,883	754,576	462,858	4,326,025			12.99%	0.47%
Average	399,074	62,881	38,572	360,502	33,658,419	120,239,684	1.08%	0.04%

Note 1: 100% of the recoveries were allocated to consumer loans to conservatively present consumer loan performance as favorable as possible as compared to member business loans.

Note 2: Charge-offs are based on ACCU's on balance sheet loan balance charge-offs.