



February 7, 2012

VIA ELECTRONIC MAIL: regcomments@ncua.gov

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

RE: Comments on Proposal on Loan Participations

Dear Ms. Rupp:

Neighborhood Credit Union provides the following comments in response to the NCUA's proposal to amend its loan participation regulation and relevant provisions in the eligible obligations rule and the rule governing the purchase of assets and assumption of liabilities. Neighborhood Credit Union is a state-chartered, community-based credit union with assets over \$300 million and approximately 30,000 members. We are the oldest credit union in Dallas and currently serve Dallas Postal employees, numerous Dallas area communities and greater than 100 SEG groups.

Neighborhood Credit Union opposes the following provision and believes it should not be included in the final rule:

"A credit union may not buy loan participation interests from a single originator that in aggregate exceeds 25% of the purchasing credit union's net worth."

The advantages of loan participations to a selling credit union are that the seller obtains liquidity to serve other members, has a tool to manage regulatory loan caps and spreads its lending risks. The advantage of loan participations to a buying credit union is the ability to earn a good return on assets. Getting a good return on assets is critical in this economic environment which has low loan demand and low yields on investments. The payoff for all participants is that the credit union members are being served and a good return is being earned.

Sound judgment and ALM analysis should be dictating how a credit union performs their selection of loan participations, not a regulation. The amended regulation could actually have unintended consequences, as you now run the risk of "stretching" to find more loans and thereby, possibly exposing a credit union to even more risk. Further, this will drive up a buying credit union's costs as more time and effort must be spent on due diligence seeking out more credit unions from which to purchase participations.



Neighborhood Credit Union respectfully requests that the NCUA Board takes the following letter into serious consideration when deliberating the passage of the final rule and appreciates the opportunity to comment on the NCUA's proposed amendments to its loan participation investment rules.

Sincerely,

A handwritten signature in black ink, appearing to read "Chet Kimmell", written in a cursive style.

Chet Kimmell
President/CEO

cc: Susanne Yashewski
Texas Credit Union League

Mary Dunn
CUNA