

**From:** [Steve Bowles](#)  
**To:** [Regulatory Comments](#)  
**Subject:** Loan Participation Rule comment  
**Date:** Thursday, February 16, 2012 11:26:12 AM

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February 16, 2012

National Credit Union Administration

Re: Proposed Amendments to 12 CFR Parts 701 and 741 – Participation Rule

Regarding a proposed regulation about loan participations I believe this particular one is detrimental to my credit union along with other small to medium size credit unions.

As a small credit union that performs loan participations, I find the 25% cap rule to be unworkable. I believe this discriminates against the smaller credit unions in favor of the larger credit unions. Since many minority credit unions are smaller credit unions, this will end up discriminating against minorities. There should be a better way to reduce risk to the NCUA insurance pool from loan participations than to restrict the number, amount, and percentage to capital.

The rule also doesn't address how changes in capital will affect loan portfolios. Should the NCUA charge additional assessments-causing capital levels to decrease-would credit unions be forced to sell loan participations?

We originally purchased loan participations to increase our loan to asset ratio and increase our income, and then once real estate lending picked up we started selling loan participations to help control interest rate risk. A rule that helps restrict selling loan participations to other credit unions will either force us to sell to government agencies (Freddie Mac/Fannie Mae) or force us to stop making real estate loans. It also could have the unintended effect of increasing interest rate risk.

With innovation and new business models improving consumer's choices and their ability to manage their financials, it looks like credit unions are being handcuffed by old standards. Perhaps it is time to start allowing credit unions the ability to really compete in the marketplace?

Sincerely,

Steve

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