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January 17, 2012

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

The consequences of this action, whether intended or not, would be to further limit available credit to credit worthy business owners and greatly reduce credit unions ability to serve members and earn a sustainable rate of return on loan and investment dollars with only low to moderate risk.

The 25% maximum [single originator] alone would put an immediate end to this credit unions MBL loan participation relationship. Having recently been the subject of a joint regulatory exam, our involvement in business lending, as the lender or participant, was reviewed without material concern. We internally consider each loan opportunity on its own merit. We also consider concentration risk as it pertains to borrower, industry, and geography. As a conservative lender, we usually limit our investment in any one loan to 10 to 20 percent of the whole loan amount. This allows us to diversify our balance sheet while greatly reducing exposure to both credit and interest rate risk.

Instead of investing in credit union member's loan needs at an average yield of 6.125% we will be forced to invest in products earning an average yield of less than 3.00%.

What this proposal appears to avoid is that MBL loan participations are a win-win-win scenario when loans are properly underwritten, serviced and subsequently reviewed by the appropriate regulatory body. Business owners win by having their needs met by an industry that is interested in them through the life cycle of their business, not just short term. The membership credit union wins by being able to serve that member with so much more than just a checking account. The investing credit union wins by servings the community while reserving its own ability to meet business member's borrowing needs by having access to other credit unions liquidity.

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It is my understanding that these comments should include some hard examples or numbers. The two most obvious thoughts to me are as follows:

First, the existence of at least one superior quality CUSO represents over $200 million dollars in high quality, strong performing loans to credit union members. This CUSO exists for this sole purpose, to bring owner and partner credit unions together to meet credit union member needs. It extends credit union lending staff by 17 or more; it adds immeasurable years of expertise once participating credit union commercial lending staff is considered; it brings opportunity to business owners and entrepreneurs and creates a more positive outlook for our local and national economy.

Secondly, though not for profit, we do have to consider earnings. We are frequently reminded of reduced earnings and in many cases eroding net worth. This credit union earned an estimated 50 basis points in 2011 in large part due to our participation activity of years past. Without participation loans, our earnings would have approximately 20bp less. This would further impair our ability to grow (or maintain) net worth which is a major focus of our current business plan.

At the present time, we have a member business loan in the pipeline with the purpose of refinancing a car wash facility. The loan amount is approximately $280,000. All aspects of the credit and property are exceptional. The loan amount is simply more than we feel comfortable with. Without the opportunity to participate this loan out to other credit unions, without sharing in the risk, though negligible at best, we may not have made this loan. Participation programs support the cooperative nature of credit unions. We are not just "people helping people" we are credit unions helping other credit unions help people.

In summary, I urge NCUA to seriously consider the real consequences of this proposal. It will harm credit unions, members, and the economy far more than any good it will do. There is no need or justification for it.

Regards,

Tom Baran
Vice President of Lending
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