



*Focused on your future.*

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

February 17, 2012

Re: Proposed Rules on Loan Participations...12 CFR Parts 701 and 741

Dear Ms. Rupp,

I am writing to you today on behalf of NorthStar Credit Union, Warrenville, Illinois in response to the recently proposed rule changes under 12 CFR parts 701 and 741. Our credit union only has one concern and that is with the proposed ceiling of 25% of the purchasing credit union's net worth on loan participations from one originator.

NorthStar Credit Union is a member owner of a business lending CUSO and the proposal to limit the participations from one originator has the potential to limit our member programming as well as the programming provided to the other member owners of the CUSO. We have actively and diligently, over the last seven and a half years, been able to provide and fill, the small business needs, of our members through the use of participations, as well as assist our credit union partners with their member needs through the use of participations.

While the proposal seeks to address concentration risks and other issues the agency has identified concerning loan participations, it would do so at the price of limiting, sound participation programs that serve credit unions, their members, and other credit unions well. The proposal would also seriously undermine lending programs and even earnings for some credit unions. Moreover, through the application of concentration and underwriting limitations, it would – contrary to the agency's goal of risk management –actually minimize the ability of credit unions to mitigate risk through diversifying sources and types of loan participations. Whether purchasing or selling a participation interest these are still lending decisions that need to be made in accordance with policy. These are loan decisions that are made by the participants with full loan review based on all the standard underwriting risk assessments.



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Our credit union has successfully utilized loan participations to improve earnings and diversify risk for many years. Through participation lending (both purchases and sales) we have been able to diversify and manage risk by loan type, industry, geographic location, and most importantly, by individual loan amount (purchased or retained) to a very conservative percentage of our net worth. Rather than using a regulatory change the examination process should be used to ensure that credit unions have the proper policies, procedures and skill sets in place to maintain a successful participation program.

NorthStar Credit Union thanks you for your time and consideration in this important matter.

Sincerely,

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

Bernard Niewoehner  
VP of Administration