



MASSACHUSETTS CREDIT UNION LEAGUE, INC.

February 21, 2012

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

**MA, NH, RI Comments on Proposed Rulemaking on Loan Participations
12 C.F.R. Parts 701 and 741**

BY EMAIL ONLY

Dear Secretary Rupp:

On behalf of the member credit unions of the Massachusetts Credit Union League, Inc., the New Hampshire Credit Union League and the Credit Union Association of Rhode Island (“Leagues”), please accept this letter of comment relative to the National Credit Union Administration’s (“NCUA”) proposed rule governing loan participations. The proposed rule generally seeks to impose new limits and minimum requirements on participations, as well as to expand the requirements to all federally-insured credit unions. Collectively, the Leagues are the state trade associations, serving over 200 credit unions who further serve approximately 2.6 million consumer members, and operating as part of the Credit Union National Association.

The Leagues appreciate the opportunity to provide input on such an important topic. It is without question that loan participations are a vital part of the credit union system. Loan participations are an important authority for credit unions as they promote diversity in portfolios, generate liquidity and favorable rates of return, assist in promoting cooperation and collaboration amongst credit unions of varying asset sizes and are a powerful tool in managing loan concentrations.

The Leagues continue to support NCUA’s ongoing review of existing rules, support prudent safety and soundness regulatory standards, and support attempts to clarify rules but not to increase the regulatory burden. Overall, however, the Leagues remain challenged by the scope, focus and details of the proposed rule and therefore oppose it in its current form. As a result, the Leagues offer the following comments on the proposed rule:

Scope and Focus of the Proposed Rule

The Leagues acknowledge that the NCUA has proposed the rule based upon regulatory concerns. However, the Leagues do not agree that the problems of specific credit unions justify undermining loan participations for all credit unions who utilize them prudently. Rather than promulgating broad provisions as the proposal seeks to do, the Leagues urge the NCUA to address case-by case problems through a more targeted approach. The proposed rule does not place appropriate consideration on the asset size, experience level or due diligence of participating credit unions. By employing a much more narrowly focused plan designed to address any problem areas quickly, well-managed credit unions and CUSOs could continue operating without interruption providing important industry resources and benefits to members.

Dual Chartering System Implications

The value of the dual chartering system is well settled in Massachusetts, New Hampshire, Rhode Island and across the country. The Leagues acknowledge that the application of the proposed rule to all federally-insured credit unions seeks to promote uniformity of federal regulation. The concern of the Leagues is centered upon possible preemption or curtailment of state law investment or lending provisions. Furthermore, some states, such as Massachusetts and Rhode Island, already have distinct state provisions, some of which are consistent with existing federal provisions. As such, the Leagues are sensitive to efforts that may challenge the balance of power between chartering systems.

Single Originator and Waiver Provisions

The provisions of the proposed rule which relate to the prohibition on purchasing loan participation interests from a single originator that in the aggregate exceeds 25% of the purchasing credit union's net worth also is a concern. The Leagues believe that unintended consequences may result from this limitation. Credit unions with well established, properly researched and vetted partners resulting in good quality, high yield transactions, will be disadvantaged by requirements that will force them to seek new partners and new relationships which, at a minimum, will result in a higher cost of due diligence and administrative burden. In addition, the Leagues suggest that any concentration limitation or underwriting standards set forth in the final rule be subject to a waiver provision which may be granted upon sufficient justification by credit unions. Consideration of a waiver would permit the NCUA to consider the entire transaction and apply a risk-based approach to regulation based upon the totality of the circumstances of the parties.

Regulatory Burden

Finally, the Leagues suggest that many of the tools currently available to NCUA, such as increased due diligence, examiner review, regulatory guidance and policy limitations, can be used to address issues underlying the proposed rule.

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Thank you for your consideration of these views. The Leagues remain available to address any questions or concerns at your convenience.

Sincerely,

A handwritten signature in cursive script that reads "Daniel F. Egan, Jr.".

Daniel F. Egan, Jr.
President

DFE/mac