



February 20, 2012

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

RE: Comments on NCUA Loan Participation Rule-Parts 701 and 741

Dear Ms. Rupp:

I am writing on behalf of MembersFirst Credit Union, of Decatur, Georgia, to submit comments on the proposed loan participation rules issued by the NCUA on December 22, 2011.

After reviewing the proposed rules and discussing with numerous colleagues, I have come to the conclusion that the proposal is contrary to the best interest of our credit union, and credit unions in general, and feel that the proposal is unjustified when considering all related facts. I would like to associate this response with the comments submitted by CUNA and the Georgia Credit Union Affiliates.

Our credit union holds an ownership stake in several CUSO's, two of which were jointly formed by our credit union and others in our area, to originate and service mortgage loans and business loans. We participated in the formation of these CUSO's to avoid the overwhelming costs of developing our own mortgage and business loan departments. We are involved in the management of these CUSO's by maintaining a seat on the board of directors. Through these CUSO's we are able to work with trusted partners that we are familiar and comfortable with; credit union colleagues that we have known for many years. In each case, our current level of participations originated through these CUSO's will exceed the limits established in the proposed rule.

We also purchase participations in loan pools through another CUSO known as Credit Union Loan Source, LLC (CULS), which is owned by several local credit unions and the Georgia Credit Union League. CULS originates and services pools of indirect vehicle loans. We first obtained permission from NCUA to purchase these participations in 2008, and were authorized by our NCUA Regional Director to purchase up to 50% of net worth. We successfully managed the program and NCUA reauthorized our continuance in subsequent years and increased our authorized participation level up to 150% of net worth as recent as 2011. This is a clear demonstration of a successful participation program that has greatly benefited the bottom line of our credit union, under annual supervision from the NCUA. Under the proposed rule, our participation in these loans will be diminished to a level that is hardly worthwhile. The CULS example also shows how the proposed rule contradicts previous NCUA guidance in participations.

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In these trying times, credit unions are trying to work together in collaborative ways to survive and continue serving our members. The last thing we need is additional, burdensome regulations that may be well intended, but not well thought out. Limiting participations to 25% of our net worth with one participant will negatively impact our bottom line and create more risk by increasing our costs and forcing us to begin dealing with multiple participation partners that we are not familiar with. We will be forced to increase staffing to handle the increased due diligence to monitor many different partners. NCUA has presented no evidence in the proposed rule that shows participation partnerships such as those I have described above present any systemic risk to the credit union system.

It seems obvious to me that NCUA should withdraw this proposed rule until you have time to arrange meetings with credit union representatives. Let us tell you our story of how we collaborate together to participate in lending to help each other mitigate, not increase, risk to ourselves or the NCUSIF. If you seriously want to help and not hurt the credit unions you regulate, you should consider the wisdom of this path, rather than imposing a regulation with a short comment period, that creates more risk and problems than it solves.

Thank you for taking time to consider my comments.

Best regards,



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