



February 22, 2012

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

RE: Xceed Financial FCU Comments on ‘‘Proposed Rule on Loan Participations’’

Dear Ms. Rupp:

Thank you for the opportunity to comment on the National Credit Union Association’s (NCUA’s) request for comments regarding Loan Participations.

We respectfully oppose the proposed changes as we believe they would have an unnecessary yet significant negative impact on credit union participation lending. While we understand the NCUA’s ongoing overall concern with the NCUSIF, as it applies to this specific proposed rule, we strongly believe that the Agency’s development of guidelines outlining prudent participation lending and due diligence standards would better address NCUA’s concerns.

Concerning the imposition of a ‘‘25% of net worth’’ cap on loan participation purchases from a single originator, such requirement would, in our opinion, increase systemic risks and due diligence costs and decrease profitability, by forcing credit unions to work with multiple, lesser-known originators instead of dealing with one or two stable, reputable, well-known participation originators. Solid loan participation programs are generally built on ongoing due diligence and time-tested performance. In most of these relationships, the credit unions have done extensive due diligence on each other, know each other well, and have a high confidence level in the quality of the loan products they buy from each other based on years of performance. This proposal would certainly disrupt those trusted relationships.

As to the proposed wording related to the requirement to have the originating underwriting standards aligned with the participating underwriting standards, we urge a revision to the regulation to allow for differences in underwriting standards but require the proper documentation of the rationale for the underwriting deviations.

Regarding the imposition of a ‘‘15% of net worth’’ cap on purchase of loan participation interests in loans to a single borrower or group of associated borrowers, we believe such limitation could have significant unintended adverse consequences by restricting the credit unions’ ability to attract successful businesses to its membership and/or disrupting strong relationships credit unions may have with stable and growing businesses.

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With that in mind, we encourage the NCUA to thoroughly consider the burden the subject proposed rule would have on credit unions, recognizing the significant negative impact and unintended adverse consequences the imposition of such proposed requirements could have on the credit unions' earnings, costs, liquidity, and member financing needs.

Thank you again for the opportunity to provide comments on this matter.

Regards,

A handwritten signature in cursive script that reads 'Teresa Freeborn'.

Teresa Freeborn
President and Chief Executive

cc: Mary Dunn, CUNA Deputy General Counsel and Senior Vice President