

June 17, 2003

James E. Burbott, II, General Counsel
WesCorp Federal Credit Union
924 Overland Court
San Dimas, California 91773-1750

Re: Treatment of Participations with Retained Subordinated Interests.

Dear Mr. Burbott:

You have asked if a federally-insured credit union that transfers a participation interest in a pool of loans, but retains a five percent subordinated interest in the pool against which losses are initially allocated, may treat the transfer as a participation without recourse for purposes of §709.10(a)(4) of the National Credit Union Administration's regulations. 12 C.F.R. §709.10(a)(4). Yes, as discussed in the preambles to both the proposed and final §709.10, the retention of a subordinated interest will not, by itself, make the transfer a recourse participation for purposes of §709.10(a)(4). See 65 Fed. Reg. 11250, 11251 (March 2, 2000)(proposed rule) and 65 Fed. Reg. 55439, 55440 (Sept. 14, 2000).

This opinion extends only to the issue discussed above. You have not provided us with any documentation for your participation arrangement, and we express no general opinion as to its permissibility.

Sincerely,

Sheila A. Albin
Associate General Counsel

GC/PMP:bhs
03-0508