MCU

Your Community Credit Union!

January 23, 2012

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

Dear Ms. Rupp:

As a long time board member of the Millbury Federal Credit Union (MCU), I am writing to the NCUA board with comments on the advance notice of proposed rulemaking for Part 741, Maintaining Access to Emergency Liquidity. In particular, the concentration limits of loan participations. I believe that there are unintended consequences that will harm MCU's risk mitigation program and discourage our continued growth.

I am particularly concerned with the proposed implementation of an arbitrary 25% (of net worth) limit on loan participations involving a single originator without the ability to obtain a waiver from our NCUA regional office.

MCU currently has a long-standing participation relationship with Industrial Credit Union (ICU). Both credit unions underwrite every loan with which they participate. Most loans are participated at 50%. Proper policies, procedures and agreements are in place. This long-term successful arrangement has allowed MCU to spread its residential and small business lending risk because ICU's field of membership includes areas outside of MCU's. ICU's field of membership has experienced lower unemployment, more stable home and business real estate values and substantially higher income levels.

Currently MCU and ICU each have $12 million in loans participated. Additionally a new 5/1 ARM program has been introduced that will substantially help both credit unions replace fixed rate mortgage balances with adjustable rate real estate loans thus helping both credit unions ALM programs. There are agreed dollar limits in place and underwriting guidelines for the program. Monthly review assessments will be conducted. The proposed arbitrary 25% concentration cap would eliminate this program and all future programs for the years to come. MCU would be limited to $5.4 million in participations with ICU and ICU would be limited to $3.8 million in participations with MCU.

The MCU board strongly suggests that real estate based loans that are individually underwritten by both credit unions and are participated on a 50/50 bases be eliminated from the 25% cap and that regional NCUA offices be given the ability to grant waivers on this cap.

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Both MCU and ICU monitor participation delinquencies and charge offs. Neither credit union experiences any higher delinquencies or charge offs in their respective participation portfolios compared to their own loan portfolios.

The majority of the aforementioned participation loans are originated by MCU's wholly owned CUSO, Security First Mortgage Funding. ICU's President and CEO is a member of the board of that CUSO.

The MCU board feels that limiting or stopping such a well thought out arrangement is an unintended consequence and that NCUA should seriously consider our recommendations.

Sincerely,

Alexander G. Belisle, Ph.D.

Alexander G. Belisle, Ph.D.
Director