

**From:** [Scott A. Meyer](#)  
**To:** [Regulatory Comments](#)  
**Subject:** Proposed Rule on Loan Participations  
**Date:** Friday, January 27, 2012 11:22:06 AM

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Dear Ms. Rupp:

On behalf of the Board, Management, and Members of Florida Transportation Credit Union, I would like to take this opportunity to comment on the proposed changes to the above regulations regarding loan participations.

Florida Transportation Credit Union has been involved with loan participations for several years allowing us to generate additional revenues. The additional revenues have enabled the credit union to maintain rates and services to our members without imposing new fees. Equally as important, the use of loan participations enables our credit union to effectively maintain our Asset Liability and Balance Sheet management strategies, mitigating Interest Rate Risks.

The program in which we participate does not involve business lending. To the contrary, the loans we participate involve multiple real-person borrowers for amounts that average around \$5000. We have worked for several years with one originator, which happens to be another local credit union. The relationship is mutually beneficial as it allows us access to loan volume that we typically cannot generate as well as a yield that is much more favorable than investments. The program also allows our partner credit union to continue to fund loans for borrowers who need money as well as maintain the dedicated staff to manage the originations, servicing, and electronic payment collection programs. To date, neither party has lost one cent through this program having helped hundreds, if not thousands of borrowers. The ongoing due diligence we perform on all the parties involved with this program is extensive and easily manageable as one relationship.

We appreciate the agencies effort to limit the risk to the insurance fund, however several of the proposed changes will cause more issues for Credit Unions in the long term. We believe the long term consequences of restrictive regulation present a threat to the ability of many Credit Unions to serve their members. Anything that threatens a Credit Union's ability to serve its members is by default, a threat to the insurance fund. With that being said, there are components of the proposal that we support and thank the NCUA for giving us the opportunity to comment.

In regards to the 10% retention rule:

We applaud the requirement for all parties to the transaction to maintain an interest in the loan but would ask the Board to allow for flexibility in this area. A well-managed originator could very quickly end up with a portfolio that is at their internal cap, thereby limiting the amount of new business it can generate. Given some of the requirements or need to maintain special or dedicated staff to originate and service certain loans, the inability to generate new business becomes constrictive.

In regards to the concentration limits:

Again, we applaud the Board's effort to limit concentration risk in this area. Given how different one loan participation may be structured compared to another, we feel the application of a one size fits all limit is inappropriate. For example, the purchase of a loan participation consisting of 500 loans for \$1000 has a different risk profile than a loan to a single person or entity for \$500,000.

We agree that the Board and Management are ultimately responsible for understanding the risks on their balance sheets, however the limitations on purchasing from a single originator in no way implies that the purchaser is at more risk. In fact, given a limited number of relationships, purchasers should be able to complete and maintain a more comprehensive and thorough due diligence.

Also, we believe the type of systemic meltdown and financial collapse of Credit Unions that this limit may intend to prevent might in fact cause other issues. As mentioned above, we believe it is up to the Board and Management to understand their balance sheets. If the risks of a single relationship,

representing a significant portion of equity is not understood by the decision makers of an organization, how would this or any other rule improve the chances of the same decision makers understanding the risk a cumulative grouping of loans present?

While we disagree with the cap of 25%, we would ask that, at the very minimum, Credit Unions have the ability to seek a waiver to this rule, taking into consideration what the true concentration risk is based on the originator and the types of loans being participated out. Having a waiver process in place will allow the well managed Credit Unions to continue to prosper and easily highlight others that need attention.

Thank you again for allowing us the opportunity to comment. In closing, we hope that the final regulation allows Credit Unions the opportunities to continue to grow and prosper in the cooperative spirit we have shared for over 100 years.

Sincerely,  
Scott Meyer  
President & CEO  
Florida Transportation Credit Union