First Financial
FEDERAL CREDIT UNION
Putting people first since 1936.

January 30, 2012

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

Re: Comments on Proposal regarding Loan Participations; Purchase, Sale and Pledge of Eligible Obligations; Purchase of Assets and Assumption of Liabilities – 12 CFR Parts 701 and 741

Dear Ms. Rupp;

Please accept this response as First Financial FCU's comments to the above proposal relating to loan participations. First Financial understands and supports the importance of having long-term safe and sound loan participation controls in place to ensure that credit unions are identifying and managing the related risks.

After reviewing the Proposed Rule, we see some changes that we can support, and one major negative change that will discourage and "kill" lending growth among FICUs. Investment and fee income are on the decline and interest income is a key factor in maintaining profitability at FICUs.

The changes that we support or have no objection to are:

1. **Part 701.22 now applies to state chartered federally insured credit unions ("FISCUs") in addition to federally chartered credit unions ("FCUs").** No comments.

2. **The underwriting standards in purchasing loan participation interest may not be less stringent than the underwriting standards in originating the same loan.** We support this requirement.

3. **The originating credit union must retain at least a ten percent interest in the loan throughout the life of the loan.** No Comments.

4. **A credit union may not buy loan participation interests in loans to a single borrower or group of associated borrowers where the aggregate amount exceeds 15% of the purchasing credit union's net worth. This provision can be waived.** My only comment is that I hope that reasonable safe and sound commercial lending guidelines are used in the waiver decision making process.

5. **Clarification of comments regarding pools of loans.** No comments.

The negative changes are:

1. **A credit union may not buy loan participation interests from a single originator that in the aggregate exceeds 25% of the purchasing credit union's net worth. There is no ability to seek a waiver from this restriction.** First Financial's loan participation program is built around good due diligence with

a strong foundation and relationships with a limited number of partners. We have done extensive due diligence with our current loan participation partners. We completely understand the loan products and have extensive experience in the products we buy and sell. We know each partner and have a high confidence level in the quality of the loan products we buy from each other. This arbitrary restriction will force First Financial to expand its loan participation program to more partners with little or no prior working experience. Also, this will push First Financial into lending products that we may have limited experience in. This move would create strategic, transaction and compliance risks for First Financial and the NCUSIF. This proposal will disrupt our current lending participation relationships. It will break-up very safe and sound lending arrangements that have proven over time to be very successful and beneficial to First Financial, our loan participation partners and the NCUSIF. The result will be a big drop in First Financial interest income revenue stream, and higher operating expense and compliance costs as we add larger numbers of new loan participation partners.

The proposed rule does not address the many issues that will arise in trying to apply this proposed rule to credit unions involved in lending CUSOs.

We do understand the concerns of the NCUA; however, we are very concerned with the unintended adverse consequences created by this proposed rule. The proposed rule damages exceed the benefit. It should be the responsibility of each individual credit union's ALM committee to determine the types and amounts of loan participations based on that credit union's financial position, including capital position, and expertise.

We cannot eliminate risk by regulation; rather each credit union should be held accountable to manage its loan participation program according to each credit union's safe and sound environment.

We urge the NCUA to pursue a different approach in trying to keep the ills of one originator's loans from spreading to a small group of credit union participants.

We thank you for the opportunity to comment on this important proposal.

Thank you,

Sincerely,

Issa E. Stephan, CCUE

President/CEO

First Financial Federal Credit Union