UNITED METHODIST FirstChoice FEDERAL CREDIT UNION
Faithful financial stewardship
(605) 348-5753 ~ (800) 658-3950 ~ FAX (605) 342-6441
www.umfirstchoicefcu.org
PO Box 5540, Rapid City, SD 57709
815 Columbus Street, Rapid City, SD 57701

Comments on Proposed Rule regarding changes to NCUA Loan Participation Regulations 12 CFR 701 &741.

February 3, 2012
To Mary Rupp, Secretary, NCUA,

We are a small FCU of $4,400,000 Assets approximately. We are Church related, and loan to Churches in our three state area of ND, SD and MN. While we are required to structure them as MBL's, they are real estate loans only. We are not allowed to make operating loans to Churches. We sell a portion of these loans on Participation. We try to keep our retained amount below $50,000 to be considered non-MBLs. On the larger ones up to $1 million, we hold up to $100,000. We always have at least 10% retained.

We have transacted 40 Church loans since the inception of our program in 2004, loaning out a total of $11,280,000. Fifteen Churches have already paid their loans in full. Loans have varied in size from $34,000 to $1,000,000, with an average loan size of $282,000.

They are not risk concentrated in any one area, because each Church loan is independently based upon the economy of its individual geographic location. However, your proposed rule could place limits on them by saying they are risk concentrated.

"In establishing appropriate concentration limits for loan participations, the Board is seeking to mitigate risk without discouraging continued growth. The Board proposes to use net worth, rather than unimpaired capital and surplus, as the means for striking this balance."

Our healthy Church loan program is enabling us to <u>rebuild</u> our Net Worth from the loss of our Membership account at our Corporate FCU and from charges from NCUSIF Premium Assessment to help rebuild failed Credit Unions. There is no reason to cripple us by limiting our income from a proven, healthy loan program.

We have never had a loss on a Church loan. We have never even had a Church loan on the Delinquency List. We do not bundle our loans. Each is sold on participation based upon its individual strength. We qualify our borrowers carefully, and work within NCUA Rules and Regulations.

"The Board proposes to limit loan participation purchases involving a single originator to a maximum of 25 percent of a FICU's net worth. No waiver provision is proposed for the 25 percent limitation."

Your proposed rule would have a <u>significantly negative impact on our Credit Union</u>. In fact, it will have a negative impact on all Credit Unions that have Participation programs. Your desire to protect purchasers of participation loans are based upon situations that are nothing like ours.

Please vote "NO" on this proposed rule. It is making assumptions that are not valid. Please don't punish the good Credit Unions in an effort to control any potential abuse. <u>**Better oversight by Federal Regulators would eliminate the need for this proposal.**</u> While you say waivers from some of these rules may be possible, it is very difficult for a small credit union to succeed in getting a waiver.

<u>Also, please exclude real estate loans to Non-Profit Institutions from this proposal.
They are very different from home loans and business loans.</u>

Sincerely,

Karen Lantz

Karen Lantz, President
United Methodist First Choice FCU