

Harry William "Bill" Thornhill, Chairman
PortAlliance Federal Credit Union

February 7, 2012

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

RE: Comments on "Proposed Rule on Loan Participations"

Dear Ms. Rupp,

I am writing in response to the NCUA Board's proposal to amend the loan participation regulation, specifically 12 CFR Part 701.22 where the following is proposed:

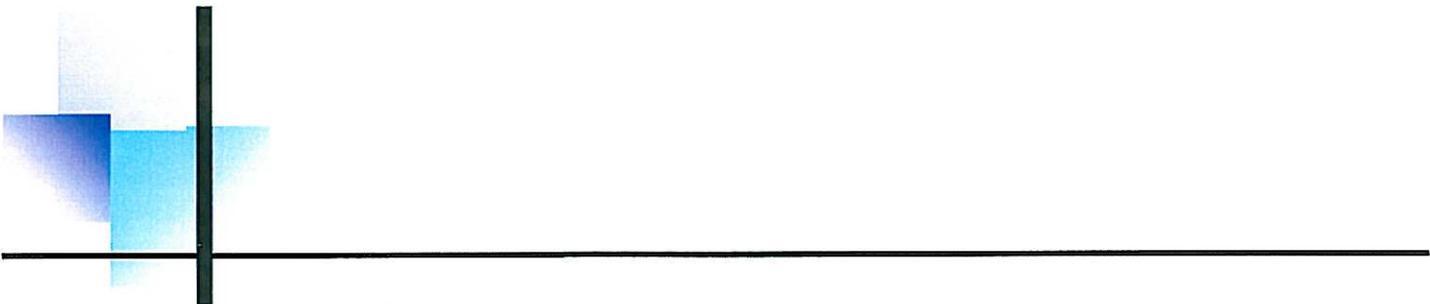
ii. Establish a limit on the aggregate amount of loan participations that may be purchased from any one originating lender, not to exceed 25 percent of the credit union's net worth;

I currently serve as Chairman of the Board at PortAlliance Federal Credit Union in Norfolk, Virginia. I recommend that the NCUA make loan participations a matter of concern during a credit union's NCUA examination and monitor call reports as they are submitted on a quarterly basis; the NCUA should concentrate on credit unions that have experienced difficulties or issues with participations or, in general, delinquencies or earnings, or other key ratios. The NCUA should not assume "one size fits all" in the matter of regulating loan participations.

Additionally, if this proposal becomes a regulation in a time when the U.S. and global economies are weak, it will have a negative impact on future loan growth for the entire credit union system. This proposal would make it very difficult for credit unions to survive; interest income from participations has become essential for earnings in a time when margins are squeezed, as fee income and investment income are currently negligible.

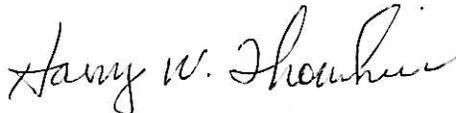
On behalf of our Board of Directors, we propose that you consider our staff's recommendations and shelve the proposal for 18 months, then concentrate the focus of credit unions' examinations on looking at overall safety and soundness of each particular natural-person credit union so that not all credit unions are penalized by such a proposal.

Moreover, our Board would like to see the data broken down into loan type such as member business loans, consumer, indirect and real estate participations so that we can have a better understanding of what the real issues are.



In conclusion, we feel that if this proposal becomes regulation you will immediately see some reduction of income, an increase in expenses, the propensity to chase riskier yields, brokers involved with buying and selling participations even more than at present. The NCUA has knowledgeable, seasoned examiners that can examine loan participations, agreements, due diligence and monitor returns without putting unreasonable limits on all credit unions. The board, as guardians of the future of our natural-person credit union, has concluded that this proposal is not in the best interest of our members.

Very Truly Yours,



Harry W. Thornhill, Chairman

PortAlliance Federal Credit Union