

**From:** [Mandy Jones](#)  
**To:** [Regulatory Comments](#)  
**Subject:** Loan Participation Proposal 12 CFR Parts 701 & 741  
**Date:** Monday, February 13, 2012 3:44:41 PM

---

Mary Rupp  
Secretary of the Board  
National Credit Union Administration

Ms. Rupp,

Please accept this response as input to the Loan Participation Proposal as solicited by NCUA. Oregon Community has benefited from our loan participation relationships for several years and while we do understand the importance of having controls in place to monitor potential risk, we are very concerned with several areas of this proposal.

The 25% limit on loan participations that may be purchased from a single originator without waiver, would harm credit unions and increase operating costs. The proposed limit does not allow any consideration for the asset quality of the portfolio or the financial stability of the purchasing credit union. It also does not take into consideration the experience or operational sophistication of the purchasing credit union.

This "one-size-fits-all" approach to regulation does not serve credit union's best interests. If a recommended limit of 25% is set, their needs to be flexibility in allowing those credit unions with proven program management, due diligence and historical performance the ability to exceed 25%. We would ask the NCUA to consider the complexity of the credit union, its asset liability and financial goals as well, so that well managed credit unions are not ham-strung with inflexible regulations regarding participation loans.

If the 25% limit were put into place, a credit union would need to find other participation loan partners to fulfill its lending and asset liability goals. This would require additional due diligence and costs for selling and purchasing credit unions, as they seek additional participation partners. With this comes not only increased costs, but the potential for lower credit quality and possibly the inability of a credit union to sell or purchase assets to meet and maintain its financial soundness.

For our credit union, because of our ability to originate high quality indirect auto loans, as well as first mortgage loans (80%+ prime and prime-plus quality), limit on being able to sell participation loans to maintain concentration limits is of prime importance. We have a high loan-to-share ratio (90%) and selling loan we originate to properly manage and meet our asset liability goals is vital in order to maintain financial flexibility. With the uncertainty of the secondary mortgage market, the ability to participate mortgage loans may be the only way we are able to originate mortgage loans and serve the mortgage needs of our members.

We believe that the 10% retention requirement is an additional burden on credit unions that may prove harmful without any provision for waiver. This restriction further limits the ability of a credit union to effectively manage its balance sheet. Waiver provision must be included to allow credit

unions to sell participation loans for liquidity purposes.

The regulation also needs to distinguish between the sale of participations and whole loans. The 10% requirement should not apply on any loan that is sold and the credit union does not retain ownership of the loan (regardless of who may service that loan.)

Further, the regulation needs to address the proposed requirement that specific loans being purchased must be identified prior to purchase. This would eliminate the sale of participation interests in homogeneous pools of loan such as credit cards, where balances fluctuate among individual accounts and make participation in a pool of specifically identified accounts impossible.

Such a restriction would limit a successful credit union or CUSO from selling participation interests in these pool, which in turn would potentially restrict or eliminate their ability to continue operation. This would be a specific impediment to allowing credit union members access to a competitive, consumer friendly product and reduce consumer choice.

We are in complete support with the NCUA goals of insuring the safety and soundness of all credit unions, but regulations such as this impact the ability of credit unions to effectively compete and return value to our members.

Respectfully,  
Mandy Jones  
CEO  
Oregon Community Credit Union

Confidentiality Notice V426674286: This e-mail may contain confidential information and is for the sole use of the intended recipient. Any review or distribution by others is strictly prohibited. If you are not the intended recipient, please contact the sender immediately and delete the e-mail and any attachments from your computer. Personal e-mails are restricted by Oregon Community Credit Union policy. Oregon Community Credit Union specifically disclaims any responsibility or liability for any personal information, or opinions of the author, expressed in this e-mail. Although Oregon Community Credit Union takes reasonable precautions to ensure no viruses are present in e-mail, it will not be liable for any loss or damage arising from the use of this e-mail or attachments.