APCU ATLANTA POSTAL CREDIT UNION

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February 16, 2012

Ms Mary Rupp
Secretary to the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

Re: NCUA Proposed Rulemaking for parts 701 and 741 Loan Participation Proposal

Dear Ms Rupp:

On behalf of Atlanta Postal Credit Union, I respectfully submit these comments to the proposed loan participation rules issued by NCUA on December 22, 2011.

Atlanta Postal Credit Union (APCU) is Georgia's oldest credit union and was organized and chartered November, 1925 and until 2002 had originated all of its loans.

In 2002, APCU began purchasing participation loans as a strategy to diversify and improve the economic performance of our loan portfolio. To achieve this objective, APCU partners with one Credit Union Service Organization (CUSO) and two community banks. All participation loans purchased through our partners are indirect auto loans. A complete due diligence process is followed for all purchases. We believe NCUA rules for participation loans should require a due diligence process and contractual requirement from purchasing credit unions.

NCUA's proposed requirement to retain 10% interest in the outstanding loan balance throughout the life of the loan should not be implemented as an absolute requirement for all purchases. We feel there is no evidence that having "skin in the game" lowers risk and that our broad involvement in our CUSO relationship helps to mitigate risk. We also believe that our state regulatory agency should oversee these activities based on each individual credit unions risk management capabilities.

Though we feel that loan originator underwriting standards for participation loans should be similar to current credit unions underwriting guidelines, there is usually some degree of difference when compared to direct originations. We also believe that purchasers of participation loans should have to justify these differences with their risk/return considerations.

To establish a 25% net worth limit on the aggregate amount of loan participations that may be purchased from any one originating lender, as a one size fits all approach will not necessarily mitigate risk. Though portfolio concentrations are an important consideration we believe that the performance history and participation with our participation partners should be considered to allow a more extensive relationship. Risk would appear to be more prevalent in credit unions that participate in asset classes they are unfamiliar with such as speculative real-estate, subprime auto loans and high risk commercial loans. A consideration may be for regulators to provide less experienced credit unions with best practices advice for participation loan activities and implement capital thresholds for new relationships. This would give purchasing credit unions an opportunity to assess participation partners risk in practice before sourcing higher levels of deal flow.

Most importantly, our 25% ownership of the CUSO where most of our participation loans are originated should be exempted from the proposed rules. The Credit Union Loan Source, LLC (CULS) is a Georgia Limited Liability Company chartered in 2004 that is a source of indirect auto loans. It is equally owned by the three largest Georgia state chartered credit unions and the wholly owned subsidiary of the Georgia Credit Union League. As a CULS owner we have received approval from our state regulator and the NCUA granting limits greater than 25% of our capital. We have representation on the CULS Board, the Finance Committee, the Credit Committee and the Operations Committee. We also perform monthly due diligence on CULS purchases, as do the other owner credit unions. We strongly believe CULS participation purchases should be viewed differently than purchases from other financial institutions.

Credit unions are struggling for loan growth and net interest margin and participation lending is a way to augment direct originations and to manage concentration risk. If we continue to manage partnership risk, monitor our portfolio and buy wisely we feel the return on participation lending makes sense.

Thank you for the opportunity to comment. We understand the issues and concerns, but believe that NCUA can do what it needs to do without the burden of this proposed regulation.

Sincerely,

Charles M. Head

Charles Head
Executive Vice President/COO