

Mary Rupp, Secretary of the Board
National Credit Union Administration
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Re: Comments to the Proposed Amendments to the NCUA Regulations
Loan Participations; Purchase, Sale and Pledge of Eligible Obligations; Purchase of Assets and Assumption of
Liabilities

Dear Ms. Rupp:

On behalf of the credit unions in the state of Iowa, we appreciate the opportunity to comment on the National Credit Union Administration's (NCUA) proposed changes to the loan participation rule. The Iowa Credit Union League (ICUL) is the non-profit trade association that represents the interests of Iowa credit unions and their nearly one million members. ICUL is concerned about the regulation of loan participations as it provides a vital investment option for Iowa credit unions of all asset sizes. ICUL is opposed to the NCUA extending this regulation to Federally Insured State-Chartered Credit Unions (FISCU) because of the financial impact and regulatory burden that the amendments impose on the 129 state-chartered credit unions in the state of Iowa.

Approximately 60 credit unions across the state of Iowa derive income directly from loan participations. Iowa credit unions use consumer participation loans, member business loans, consumer construction and development participation loans, and real estate participation loans that will all be affected by this regulation. These loan participation opportunities generate liquidity and provide favorable returns for credit unions while diversifying the lending risk by asset class and geographic concentrations. Significantly changing the standards of an important investment option may force some credit unions within the state to withdraw from this option, further limiting their investment options in a difficult economic environment.

In addition, the concentration limits in this proposal will cause the cost of due diligence to rise significantly as new partners must be reviewed. Risk can more appropriately be managed by long-term, sound partnerships rather than limiting concentrations with a single originator. Credit unions will need to search for other loan participation partners and will be forced to deal with partners that they do not know. Iowa credit unions have long-term relationships where they regularly sell and buy from each other and other sound originators. In most of these relationships, Iowa credit unions have completed extensive due diligence on the originators and have a high confidence and strong familiarity with the quality of the loan products they are purchasing. Credit union owners have also done extensive due diligence and planning in establishing a CUSO lending model, which has allowed Iowa credit unions of all asset sizes to be effective and safe lenders.

Iowa credit unions appreciate the need for safeguards to ensure the financial stability of the industry. With that in mind, Iowa state-chartered credit unions have fully cooperated with the Iowa Division of Credit Unions in its review of loan participations. State regulators are more familiar with local circumstances, have examined the originating CUSOs and credit unions, and are better able to assess issues that could impact the safety and soundness of Iowa state-chartered credit unions.

We urge the NCUA to reconsider this proposal as the new amendments do not ensure less risk but only serve to inhibit the opportunity of an Iowa state-chartered credit union to use loan participations as an investment option.

Based on the points set forth above, we ask the NCUA to withdraw the proposed Amendment.

Sincerely,



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CEO/President
Iowa Credit Union League

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