

From: [Wesley Walton](#)
To: [Regulatory Comments](#)
Subject: Proposed Rule on Loan Participations
Date: Friday, February 17, 2012 1:30:50 PM

Greetings,

Concentration Limits on Loan Participations.

The Board seeks to reduce risk by limiting loan participations purchases from a single originator to a maximum of 25% of net worth. This is based on the faulty assumption that it is less risky for a credit union to buy a little piece for many institutions than large positions from a minimal number of institutions. This is FALSE.

The risk to the credit union is the underlying loan that it is purchasing. We have two main relationships for purchasing participations. It has taken us a while to become comfortable with how each of the other institutions underwrite their files. In our review, this knowledge of the nuances of how they underwrite has been valuable. While this familiarity and relationship is very useful, it is also very time consuming. If we were forced by regulation to increase our purchase partners to ten, we would not have the same close relationship with those ten as we do with our two. Because of this, our overall risk profile would increase. Regulations should reduce risk, not increase risk.

Concerning the change to have the origination lender retain 10% interest in the outstanding balance, I think that this is a reasonable limit to keep the originator with skin in the game. There should be some provision for a waiver though, because sometimes large loans that are participated out might even exceed the single loan limit for an institution.

Feel free to contact me if you have any questions.

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