PROGRESSIVE CREDIT UNION
UNDER SUPERVISION OF THE NY STATE BANKING DEPARTMENT

CHARTERED 1918

www.Progressivecu.org

131 West 33rd Street • 7th Floor • New York, NY 10001 • T. 212.695.8900

Via email: regcomments@ncua.gov

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

Re: Proposed Amendments to 12 CFR Parts 701 and 741

On behalf of Progressive Credit Union (P C U) we respectfully submit these comments to the NCUA as to the proposed changes to loan participation rules.

PROGRESSIVE CREDIT UNION / LOAN PARTICIPATIONS

Progressive Credit Union has been a leading producer of loan participations for over twenty years. We currently service over $500M dollars in loan participations to other credit unions both large and small. These loan participations are primarily taxi medallion loans in New York, Chicago, Philadelphia, and Boston. This loan origination /loan participation program has enabled Progressive Credit Union to provide the highest level of member loan service and allowed our members to grow in way that Progressive Credit Union alone could not support. In addition, it has provided our participants with income they would otherwise not have. Our charge-off ratio for these medallion loans has been ZERO (0%) for as long as the program has existed.

There are many benefits to loan participations for both the originator and the participant, particularly when involved in a niche industry like taxi medallion lending. The expertise of Progressive Credit Union as well as other credit union taxi medallion lenders is well documented by their high capital, consistently high ROA, low delinquencies and nonexistent charge-offs. Participations increase earning to the originator as well as the participant. They provide diversification and low origination costs to the participants, whose struggle for earning is often the reason they are participating in the first place.

PROGRESSIVE CREDIT UNION'S POSITION ON THE PROPOSED CHANGES

Progressive Credit Union opposes many of the proposed changes. We believe the NCUA analyses of "delinquent loan participations" is flawed by including loans that were participated through gross mismanagement, poor regulatory oversight and in some cases fraud. Loan classes should have been evaluated individually. Losses caused by indirect car loans or speculative real estate in Florida do not give any indication as to the value of medallion taxi loans which are supported by an asset who's stable value and cash flow have been proven over time.

The rule changes as proposed will have a significant negative impact on Progressive Credit Union as well as on many of its participants who depend on this loan participation program because of its proven record of high yields and no losses. The proposed rule changes would expose participating credit unions to higher credit risk and therefore more risk to the insurance fund.

I will confine my comments to selected areas of the proposed regulation.

- *The underwriting standards in purchasing a loan participation interest may not be less stringent than the underwriting standards in originating the same loan.*
  In our current practice, this is the case.

- *The originating credit union must retain at least a ten percent interest in the loan throughout the life of the loan.*
  This has always been Progressive Credit Union's policy.

- *A credit union may not buy loan participation interests from a single originator that in the aggregate exceeds 25% of the purchasing credit union's net worth. There is no ability to seek a waiver from this restriction.*

  This is the most problematic proposed change and it is unclear how this mitigates risk. While intended to reduce risk by imposing an arbitrary cap, the result would in fact be much greater risk. Participation originator and purchasers develop strategic alliances based on the success of their relationship over time. The smaller credit union in particular does not have the ability to vet multiple loan participation partners. As in the case of taxi medallions, they find a strong partner and it makes sense for them to stick with them. Forcing them to leave a trusted partner only increases their expense and potential risk profile as they search for other partners. Participants become experts in a new loan class with continued underwriting. Forcing small credit unions to search for new participants when they are comfortable with a relationship they already have is counterproductive with no perceived benefit.

  Alternatively, in the event the Board is not persuaded to remove a limitation, we would suggest that limitation be 100% of capital, and a waiver provision included that would provide an opportunity for well managed, safe and sound credit unions to show cause why they should be exempt from the concentration limitation requirement.
  On the selling side of the loan participation equation, NCUA should encourage credit unions to purchase participations from credit unions with CAMEL codes of 1 or 2 by providing an exemption to any credit union that does so.

  As to grandfathering if a cap is imposed. We believe that cap must extend to the "modification" of current loan participations. "Example" - If credit union "A" has sold a participation to credit union "B" and credit union "A's" member seeks to modify that loan for either a better rate or because the loan has matured, (No new money.) credit union "B" must be allowed to stay with that loan regardless of whether or not they are over any imposed cap. Credit unions members should not become the unintended victims of regulatory changes.
  Waiver application must be user friendly / time sensitive.

- *A credit union may not buy loan participations interests in loans to a single borrower or group of associated borrowers where the aggregate amount exceeds 15% of the purchasing credit union's net worth. This provision can be waived.*

  Waiver application must be user friendly / time sensitive.

- *Recommended new term: Regarding the ability of a purchaser of a loan participation interest in buying a loan where the originator obtained a regulatory waiver.*

  If the originator has obtained a waiver, that waiver, with full disclosure should extend to the participant.

  Thank you for the opportunity to comment.

  Respectfully submitted
  Progressive Credit Union

  Robert A. Familant, Treasurer/CEO