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NAPUS FEDERAL CREDIT UNION

February 21, 2012

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

Re: Comments on the NCUA's Proposed Rule on Loan Participation

Dear Ms. Rupp,

On behalf of NAPUS Federal Credit Union, we affirm the NCUA board's belief that loan participations strengthen the credit union industry. For a number of years, our credit union has successfully utilized loan participations to improve earnings and diversify risk.

While the intent of the proposed regulation on loan participations is appropriate, we are concerned about two provisions in particular: the limit on purchases from a single originator and the application of the regulation to state chartered credit unions.

Purchases from a Single Originator. In our view, the NCUA's proposed limit of 25% of net worth from a single originator is arbitrary and without substantive support. Industry data confirms that credit unions have done an excellent job of addressing risks associated with loan participations. Loan losses for loan participation have historically been lower than other loans held by credit unions. In addition, the vast majority of credit unions experienced no loan participation related losses, and those that did had, on average, ample capital to absorb the small loss.

The proposed rule will place downward pressure on earnings of credit unions which rely on loan participations to acquire quality earning assets as an alternative to the costly development of loan origination competence and channels. In addition, because the proposed rule will restrict the ability of credit unions to sell quality loans, there will be fewer new loans granted to small business owners, restricting future economic growth and job creation.

Instead of this one-size-fits-all approach, the NCUA should give credit union leaders the ability to develop their own policies based on the unique strategy and financial condition of the institution.

Application to State Chartered Credit Unions. A thorough analysis of credit union data demonstrates that loan participation delinquency and loss results have been almost identical for federally chartered credit unions and state chartered credit unions. There is no evidence which justifies the NCUA usurping the right of states to regulate their own credit unions.

Because this proposed regulation will have a significant impact on the credit union industry, we urge the NCUA to reconsider need for a limit on purchases from a single originator and the application of the proposed regulation to state chartered credit unions.

Sincerely,

Rebecca Cuddy
Chief Executive Officer

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