AMERICAN PARTNERS
FEDERAL CREDIT UNION

February 21, 2012

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

Re: Comments to the Proposed Amendments to NCUA Regulation 12CFR Parts 701 and 741

Dear Ms. Rupp:

This is a comment letter to the proposed changes in the loan participation regulations.

- 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.

- A credit union may not buy loan participation 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.

Maybe NCUA should consider evaluating participation loans by the type of loan (consumer auto/motorcycle, member business, indirect and commercial) instead of just setting a 25% of net worth from one originator.

As a small credit union currently engaged in a participation loan program, I disagree with the proposed limitation of participated loans to a single originator or serviced by a single entity. This would restrict smaller credit unions that may be dependent on this type of borrowing and have a very negative impact on their bottom line. Without our being able to purchase participation loans we would be unable to rebuild our net worth in a time when the US and global economies are weak. It would also have a negative impact on future loan growth for credit unions purchasing these loans and interest income from these loans has become essential for earnings in a time when margins are being squeezed and when fee and investment income are down.

With this restriction it would also push up our expenses in that we would have to look for more partners to purchase participation loans from and require more due diligence to be performed. We would also spend more time in monitoring the different pools of participation loans. In a time when margins are being tightened we should not be put in a situation to where we have to increase costs looking for other credit unions or sources to purchase loans from, when we currently have a relationship with another credit union that works for the both of us. We have performed extensive due diligence on each other, know each other well and have a confidence level in the quality of the loans we purchase.

Participations are important to some credit unions to generate liquidity and could assist in the management of loan concentration issues. Liquidity became an issue for us in 2005 and we were able to sell participation loans from 2005 thru 2007 to meet our liquidity needs. Without this liquidity we may have had to put off making loans to our members as well as limit product offerings.

I feel that the limitation that a credit union may not buy loan participation 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 could also hinder us in the area of future loan growth. This could be addressed in stronger due diligence.

Please reconsider the proposed regulation.

Thank You,

Toni Deaton
American Partners FCU
CFO

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