CALTECH EMPLOYEES Federal Credit Union

February 21, 2012

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

RE: Proposed rule on Loan Participations

Dear Ms. Rupp:

On behalf of the Caltech Employees Federal Credit Union (CEFCU), charter number 6681, I am writing to you regarding the National Credit Union Administration's (NCUA) proposed rule on loan participations. For reasons discussed in more detail below, CEFCU strongly opposes the proposed rule and strongly urges the NCUA to withdraw the proposed rule.

The proposed rule would institute arbitrary concentration limits on loan participations, including: (1) a limit on the aggregate amount of loan participations that may be purchased from one originating lender to 25 percent of the credit union's net worth; and (2) a limit on loan participation purchases involving one borrower or a group of associated borrowers to 15 percent of the credit union's net worth. It is my understanding that credit unions would not be able to seek a waiver from the proposed limit on purchases from one originating lender. CEFCU does not believe the NCUA has provided satisfactory justification for having proposed such arbitrary limits on loan participation.

CEFCU is a savers credit union with assets of over $1.1 billion. Our members have significantly higher average savings balances than the industry as illustrated by our average savings per member at approximately $32,000. With this profile, making loans to our members is challenging due to their lack of need. Loan participations enable us to accomplish numerous important goals. With loan participations, we are able to diversify our loan portfolio, improve earnings, generate needed loan growth, and manage our balance sheet more effectively. NCUA has failed to assign adequate weight to the significant benefits loan participations afford to credit unions such as ours.

Our Credit Union has years of experience in dealing with one (or few) originating lenders and has not experienced any event(s) that pose an inappropriate or non-manageable risk to our institution. Controls and underwriting policies are strong, safe and sound. Should the proposal be finalized, we would be forced to restrict or extinguish our relationships and search for new loans at other credit unions we are not familiar with nor that we would have confidence acquired through years of valued partnership. This could increase our risk exposure. Similarly, we have special and extensive experience with one or a few types of loan products, primarily First Trust Deed mortgage loans and faith based not-for-profit balance sheets, fully understanding all the components thereof, including the risks associated with the loans. This experience has served our Credit Union and our members very well. Unfortunately, however, NCUA's proposed regulation would completely nullify our Credit Union's experience and the benefits we generate for our organization.

In conclusion, CEFCU strongly urges the NCUA to withdraw the proposed rule given that the possible ramifications have not been adequately examined and that the proposed rule would have significant negative consequences on many credit unions, and certainly on CEFCU.

Sincerely,

Richard L. Harris

Richard L. Harris
President/CEO

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