Federation

Credit Unions United to Serve the Underserved

Filed via regcomments@ncua.gov

February 21, 2012

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

Re: Comments on NCUA Proposed Rulemaking for Parts 701 and 741,
Loan Participations Proposal; 76 Fed. Reg. 79,548, proposed Dec. 22, 2011

Dear Ms. Rupp:

The National Federation of Community Development Credit Unions ("Federation") is writing in opposition to the proposed rulemaking regarding the limitation on loan participations by credit unions.

The limitation on the percentage of net-worth that can be used for loan participations is overly restrictive, as is the limitation on participations with a single originator. In years past, NCUA through its examiners actively encouraged credit unions -- especially small ones with limited origination capacity -- to purchase participations. Participations are an important example of credit union cooperation in action. The judicious use of participations can contribute significantly to income streams of small credit unions.

In light of the serious threats to small credit unions in today's economic environment, further restrictions on the revenue opportunities available to these institutions is very likely to accelerate the trend toward elimination of this sector of the credit union movement.

There are ample provisions in the regulations mandating cautious underwriting of loans, including participations, by credit unions. NCUA should direct its attention to increased scrutiny of those credit unions that are large originators outside their home markets for speculative purposes.

Sincerely yours,

Clifford N. Rosenthal

President and CEO

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