



**State of Wisconsin**  
*Department of Financial Institutions*

Jim Doyle, **Governor**

Lorrie Keating Heinemann, **Secretary**

April 28, 2010

**LETTER CU 1-10**  
**PARTICIPATION LOAN PURCHASE CLARIFICATION**

**TO ALL CREDIT UNIONS:**

State chartered credit unions may purchase loan participations from federally insured credit unions, federally insured financial institutions and credit union service organizations (CUSO). Such purchases are allowed under both state and National Credit Union Administration (NCUA) rules. The requirements for participation loan activity are set forth in Wisconsin Rule DFI-CU 70 and NCUA Parts 741.8 and 701.22.

Examination comments from NCUA examiners have highlighted the need to explain the NCUA's interpretation of NCUA §741.8-- *Purchases of assets and assumption of liabilities* which may affect some loan participations.

Purchases from another federally insured credit union do not require approval from either the state or NCUA. However, according to NCUA §741.8, NCUA must approve purchases from any entity other than another federally insured credit union. Therefore, purchases of loan participations from any type of financial institution other than a federally insured credit union must have prior approval of the NCUA regional director. This includes any purchase of loan participations originated by a CUSO.<sup>1</sup>

In order to obtain approval to purchase loan participations, submit a letter describing the desired transaction along with supporting documentation to this office. We will forward your request, along with our recommendation to the regional director. Please submit your request for approval in sufficient time to close the transaction. We suggest a period of 6 to 8 weeks.

The NCUA has a responsibility to protect the share insurance fund and is concerned when an insured credit union may obtain loan participations from a source that is not insured by the NCUSIF. Part 741.8 is a safety and soundness regulation and therefore applies to federally insured state chartered credit unions as well as all federal credit unions.

If you have questions, please contact the Office of Credit Unions at 608-261-9543.

Sincerely,

Suzanne Cowan  
Director  
OFFICE OF CREDIT UNIONS



<sup>1</sup> Preamble to NCUA Rules and Regulations reprinted from the Federal Register Vol 70, No 244, Wednesday, December 21, 2005, 12 C.F.R. Part 741 Section B. Discussion