California CREDIT UNION LEAGUE NEVADA CREDIT UNION LEAGUE

VIA E-MAIL: regcomments@ncua.gov

March 22, 2010

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

RE: Comments on Secondary Capital Accounts

Dear Ms. Rupp:

On behalf of the California and Nevada Credit Union Leagues, I appreciate the opportunity to comment on NCUA's interim final rule regarding the use of secondary capital accepted by low-income designated credit unions (LICUs) under the Treasury's Community Development Capital (CDC) Program. By way of background, the California and Nevada Credit Union Leagues (Leagues) are the largest state trade associations for credit unions in the United States, representing the interests of more than 400 credit unions and their 9 million members.

The interim final rule facilitates participation of LICUs in the CDC Program by:

- Permitting redemption of all or part of government-funded secondary capital along with its matching secondary capital at any time after it has been on deposit for two years;
- Allowing LICUs to redeem secondary capital accepted under the CDC Program before interest rates on program secondary capital rise to 9% over the last five years to maturity; and
- Making CDC Program secondary capital senior to any required matching secondary capital.

The Leagues commend and thank NCUA for making these changes to its secondary capital rules. Without these amendments, LICUs would have a disincentive to apply for the CDC program, which would in turn have a negative impact on the low-income, economically hard-hit communities it is designed to help. NCUA's action provides LICUs an additional capital tool to enhance lending to these communities and give consumers greater access to mainstream financial services.

Beyond the interim final rule, I would like to take the opportunity to thank Chairman Matz for her support regarding consumer-focused capital reform for credit unions. In particular, the Leagues applaud the Chairman's proposed legislative changes regarding:

- A change in the "total assets" denominator of the net worth ratio that would allow qualifying credit unions to exclude those assets that have a zero risk (such as short-term U.S. Treasury securities). While the Leagues believe that such a change remains within the regulatory authority of NCUA to implement, we appreciate Chairman Matz's acknowledgment that such a change would maintain strong and credible credit union net worth standards.
- Authorization for qualifying credit unions to issue alternative forms of capital to supplement their retained earnings, and expanding the definition of "net worth" under the Federal Credit Union Act to include those instruments. We believe that alternative capital should be permitted from members, including member sponsor and member select employee groups. In addition, we support permitting Section 208 assistance to be included as alternative capital.

Capital flexibility would permit credit unions to promote consumer savings while still preserving rigorous safety and soundness standards. The Leagues believe this issue is of vital importance, both to credit unions and the communities they serve. We look forward to working with the NCUA Board and Congress to advance this goal.

Thank you for the opportunity to share our views on this issue. We appreciate your consideration of our comments.

Sincerely,

Bill Cheney
President/CEO
California and Nevada Credit Union Leagues