



April 28, 2011

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

Re: Proposed revisions removing references to NRSRO's

Dear Secretary Rupp,

On behalf of the Credit Union Association of New York, I would like to take this opportunity to comment on the proposed revision of NCUA's regulation to remove any references to Nationally Recognized Statistical Rating Organizations (NRSRO). Specifically, NCUA is proposing to do away any references to NRSRO's and instead require credit unions to consider among other things "external assessments of credit worthiness" (see proposed 703.8 (b)(3)). The prefatory material suggests that in developing and applying these new standards credit unions may rely on the "opinion and other assessments issued by third parties." The changes are mandated by section 939A of the Dodd-Frank Act. While the Association understands the extent to which NCUA is constrained in its implementation of this regulation, I believe that steps can be taken in implementing this proposal to both advance the goals of the Dodd-Frank Act and ensure that credit unions are not unduly burdened by enhanced due diligence requirements.

Even though credit unions can and do engage in due diligence when making investments, these changes will require enhanced staff resources, as well as greater sophistication on the part of some credit unions. NCUA should take several steps to assist credit unions in making this transition. Most importantly, the provision in the prefatory material allowing credit unions to consider third party analysis when making investment decisions should be made explicit by including it in the final language of the regulation. In addition, credit unions should receive guidance from the NCUA as to what criteria and what steps they should take in implementing an enhanced internal review process for assessing their own investment decisions. This last point is particularly important since regulators will undoubtedly be given responsibility for assessing the implementation of this new regulation and advance guidance of what the agency expects will avoid much confusion and duplication of efforts.

In addition, in putting forward its own Advance Notice of Proposal Rulemaking on this proposal (ANPR) (August 13, 2010), the Office of Comptroller of the Currency requested comment as to whether or not the Dodd-Frank Act allowed financial institutions to continue to use NRSRO's not for purpose of assessing creditworthiness but for other issues, such as the potential marketability of an investment instrument. This distinction is a critical one because the financial crisis has impacted credit unions and demonstrates that

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even sound investments are vulnerable if the market for their purchase and sale becomes illiquid. In short, NCUA should authorize NRSRO's in those situations where doing so would not violate the statute or its underlying goal of over reliance on such assessments.

An aspect of section 939A not addressed in NCUA's regulation is the encouragement of uniform assessment standards by regulators. The NCUA should consider not only issuing guidance but creating investment models or sample internal assessments that will meet regulatory muster.

Finally there should be a transition period until at least July 2012 before these regulations become mandatory. Credit unions should be given time to test drive enhanced protocols dealing with difficult and important operational decisions.

I hope these comments have been helpful.

A handwritten signature in black ink, appearing to read "W J Mellin". The signature is written in a cursive, flowing style.

William J. Mellin
President /CEO