

From: [Beverley Rutherford](#)
To: [Regulatory Comments](#)
Cc: [Beverley Rutherford](#)
Subject: VACU Comments on Notice of Proposed Rulemaking (Net Worth and Equity Ratio)
Date: Wednesday, May 11, 2011 10:20:24 AM

Thank you for the opportunity to comment on your proposed rule to implement changes to the Federal Credit Union Act made by Public Law Number 111-382 regarding the NCUA's share insurance fund equity ratio and the definition of credit union net worth. I am responding on behalf of a state-chartered, federally insured credit union located in Virginia with over 2 billion in assets and over 200,000 members. We offer the following comments on the proposed rule:

- We support the use of Section 208 Assistance as regulatory net worth. While in many ways it seems the criteria are unnecessary, if NCUA has determined that Section 208 Assistance is needed, then the credit union should be able to count it as capital.
- Regarding the revision of the net worth calculation in situations of mergers with bargain purchase gains, we agree that the current methodology can double count to a certain extent. However, this change appears to have the likelihood of reintroducing the issues with mergers that existed before the change was passed in 2006. Mergers with these circumstances will most likely have higher asset values after the merger is complete. The bargain purchase gain may not be enough to compensate resulting in a lower net worth ratio than the two institutions originally had individually. This could deter merger activity and seems unfair. The only real solution to avoid the artificially higher or lower ratios is to reintroduce the pooling method for mergers of credit unions. It seems unfair to penalize the combined credit union when they were forced to report higher asset values. When given a choice, we support the current methodology and would have the revision struck from the pending proposal.
- Whenever one term has several definitions as is the case in the proposal regarding the MBL cap versus the PCA definition, the result is going to be confusion. We feel that net worth should always be defined in the same manner. If there are concerns regarding the MBL cap, then it seems like this should be approached in a different manner rather than redefining net worth.
- We support the change to the NCUSIF equity ratio definition to exclude assets and liabilities of other funds or entities.

Please feel free to contact me should you have any questions on our comments. Thank you for considering our comments when drafting your final rule.

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