

May 20, 2011

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

Re: Comments on Proposed Rulemaking, Net Worth and Equity Ratio

VIA ELECTRONIC MAIL: regcomments@ncua.gov

Dear Ms. Rupp:

The Michigan Credit Union League (MCUL) appreciates the opportunity to comment on the NCUA Board's proposed rule regarding federally-insured credit union (FICU) "net worth" and the National Credit Union Share Insurance Fund (NCUSIF) "equity ratio," pursuant to the amendments to the Federal Credit Union Act (FCU Act) under Public Law 111-382. MCUL is a statewide trade association representing 95% of the credit unions located in Michigan. MCUL respectfully requests that the NCUA Board takes the following letter into serious consideration when deliberating the passage of a final rule.

Equity Ratio

Pursuant to Public Law 111-382, NCUA Part 741.4(b) would clarify that the NCUSIF equity ratio will be calculated using the financial statements of the NCUSIF alone, without any consolidation or combination with the financial statements of any other fund or entity.

MCUL supports this clarification.

Net Worth

NCUA may, in its discretion, make loans to, purchase the assets of, or establish accounts in federally insured credit unions (FICUs) that are determined by NCUA to be in danger of closing or to assist in a FICU's voluntary liquidation. The proposed rule would include §208 assistance in the computation of a credit union's net worth, subject to certain limitations.

MCUL supports the use of Section 208 Assistance as regulatory net worth.

Technical Change

NCUA's current rules require the addition of the retained earnings of the acquired credit union to the net worth of the acquiring credit union. The proposed rule would require the subtraction of any bargain purchase gain from the target's retained earnings before the latter amount is included as net worth. This proposed correction limits the difference between the added retained earnings and bargain purchase gain to an amount that is zero or more, which will

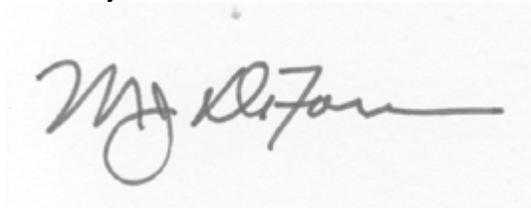
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prevent a retained earnings deficit from flowing forward to the acquiring institution. The proposed revision would also add the requirement that the retained earnings of the acquired credit union at the point of acquisition must be measured under generally accepted accounting principles (GAAP) as referenced in the FCU Act.

The proposal may improve matters in some cases by reducing the difference between regulatory net worth and GAAP under a particular set of facts and circumstances, but would cause problems in other cases. MCUL believes this technical change is outside the scope of Public Law 111-382 and should be withdrawn so that alternative solutions can be deliberated in to ensure minimal differences exist between regulatory capital and GAAP. MCUL does not agree that the proposed solution of subtracting any bargain purchase gain from a target's retained earnings before the latter amount is included in net worth adequately addresses the problem.

MCUL appreciates the opportunity to comment on this proposed rule.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael J. DeFors", is centered on a light-colored rectangular background.

Michael J. DeFors
VP Regulatory Affairs