



**National Association  
of Federal Credit Unions**  
3138 10th Street North  
Arlington, VA 22201-2149

NAFCU | Your Direct Connection to Education, Advocacy & Advancement

October 6, 2011

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

RE: Proposed Rule on Corporate Credit Unions – Technical Corrections

Dear Ms. Rupp:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents federal credit unions (FCUs), I am writing to you regarding the National Credit Union Administration's (NCUA) proposed rule to amend Part 704 of the agency's regulations on corporate credit unions.

In October 2010, the NCUA made significant changes to the regulatory environment under which corporates must function, including stricter capital requirements, limitations on corporates' investment authority and requirements related to corporates' asset portfolios. *See*, 75 FR 64786 (October 20, 2010). In this proposed rule, the NCUA seeks to make a number of changes to the 2010 Final Rule. A number of the changes under the proposed rule are reasonably termed as technical, while others are more substantive in their content.

The agency's proposal seeks to make the following changes: (1) remove references to "daily average net risk-weighted assets"; (2) move provisions concerning investment action plans to a different section of Part 704 to clarify the applicability of the triggers that would require a corporate to institute such a plan; and (3) make a technical change to remove the use of the term "paid-in capital," which is no longer used in other sections of Part 704, on provisions relating to fidelity bonds for employees and officials. NAFCU supports each of these proposed changes as they are technical changes that do clarify Part 704.

In addition, however, the agency's proposal would make the following, more substantive, changes or clarifications: (1) exclude, from the definition of "net assets," Central Liquidity Facility (CLF) stock subscriptions; (2) remove references to credit ratings, implementing relevant provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act); (3) clarify that corporates can include cash

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in their calculation of “weighted average life” (WAL); and (4) repeal a consequence for violations of WAL conditions which includes re-classification of the capital category of the corporate. NAFCU offers the following comments with respect to these proposed changes.

We urge the NCUA to reconsider the aspect of the proposed rule that would remove references to credit ratings. NAFCU is concerned about the effect the proposed rule would have on both corporate credit unions and natural person credit unions (NPCUs). For corporates, the proposed changes would result in an increase in the level of internal credit analysis that must be conducted. For NPCU members of corporates, the proposal would make their analysis of their corporates’ investments and investment policy more difficult to discern. While NAFCU supports a high level of credit analysis on investments, and we understand § 941 of the Dodd-Frank Act requires the agency to remove references from NCUA’s rules and regulations, we remain concerned that the proposed regulatory solution needs further refinement.

NAFCU appreciates the opportunity to provide comments to the NCUA on the proposed rule. Should you have any questions or would like to discuss these issues further, please contact me at [chunt@nafcu.org](mailto:chunt@nafcu.org) or by telephone at (703) 842-2234 or Tessema Tefferi, NAFCU’s Regulatory Affairs Counsel, at [ttefferi@nafcu.org](mailto:ttefferi@nafcu.org) or by telephone at (703) 842-2268.

Sincerely,



Carrie Hunt  
General Counsel and Vice President of Regulatory Affairs