



September 29, 2008

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

Re: Proposed Rule 12 CFR Parts 702 and 704

Dear Secretary Rupp:

Coastal Federal Credit Union ("Coastal FCU") offers the following response to the proposed rule, 12 CFR Parts 702 and 704, regarding the amendment of the definition of "net worth" for natural person credit unions as it applies to prompt corrective action (PCA) in relation to mergers of natural person credit unions. Coastal FCU, federally chartered in North Carolina, South Carolina and much of Virginia, serves more than 170,000 members and maintains two billion dollars in assets.

Coastal FCU recognizes that the intent of the proposed rule is to allow equity of an acquired credit union to be considered into the PCA. However, the new rule will likely cause a significant reduction in credit union mergers for lack of available resources regarding the valuation of the acquired credit union for a number of reasons. First, the acquiring credit union must immediately recognize the additional expense of engaging valuation specialists. These valuation specialists may also be required for on-going analysis of the intangible asset created by the fair value treatment (or goodwill).

Finally, the acquiring credit union will take on additional operational requirements for tracking assets and liabilities recorded at fair value versus historical cost. For example, Coastal FCU's loans are recorded at fair value rather than combining loan balances and allowance valuations. Coastal FCU's loan servicing systems would need to be able to track loans that are now netted with an impairment valuation. These impairments will also require resources to perform periodic valuations, which would prove to be technologically and/or financially onerous

While Coastal FCU is in favor of this rule, we urge NCUA to provide further guidance on the valuation of assets, so as not to discourage credit union mergers and increase conservatorships or liquidations by NCUA.

Sincerely,

A handwritten signature in black ink that reads "Ralph E. Reardon". The signature is written in a cursive style with a large, prominent "R" at the beginning.

Ralph E. Reardon
Senior Vice President/Chief Financial Officer