



September 27, 2005

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

Re: Government Employees Credit Union (GECU) Comments on Proposed Rule Part 741

Dear Ms. Rupp:

This letter is in response to the Notice of Proposed Rulemaking issued by the National Credit Union Administration (NCUA) requesting comments on its proposed changes to Part 741 governing the activities and investments of state chartered federally insured credit unions.

GECU supports the proposed addition of subsection (b) (3) to Part 741.8 and the proposed language to Part 741.8 detailing how credit unions can apply for NCUA approval for other types of purchase and assumption transactions.

However, due to the adverse impact on the operations of GECU and other FISCUs, GECU urges NCUA to leave NCUA Part 741.3 unchanged and the request is supported by the following reasons. First, in limiting credit union non-conforming investments to investment grade, the overall growth and development of the credit union will be hindered. Second, a restriction imposed on state chartered credit unions without validated or substantiated reasons would endanger the dual chartering system. Thirdly, it is our viewpoint that the state regulators have guided Texas state chartered credit unions in their investment and CUSO activities in a safe and sound manner which is the primary intent of state and federal regulators. Since there are no safety and soundness issues with the non-conforming investments, including CUSO investments, we strongly recommend that Part 741.3 not be changed.

From GECU's experience, these non-conforming investments have proven to be our highest performing and safest investments since the inception of the portfolio. Additionally, since FISCUs are required to establish special reserves for nonconforming investments to control or mitigate a risk to the insurance fund and because there is no evidence presented to prompt the proposed "investment grade" instead of the present provisions, we again urge that Part 741.3 remain unchanged.

Thank you for the opportunity to comment on the proposed revisions. I strongly urge NCUA to reconsider the proposed rule changes in light of the deficiency of a justified and compelling reason for the change as well as the adverse impact on the operations of federally insured state chartered credit unions.

If you or other Board Staff have questions concerning the comments, please call me at 915-774-1702.

Sincerely,

A handwritten signature in black ink, appearing to read 'Harriet May', is written over a light blue horizontal line.

Harriet May
President/CEO