



CUNA & Affiliates
A Member of the Credit Union System

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VIA E-MAIL – regcomments@ncua.gov

September 27, 2005

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

RE: Comments on Proposed Rule Part 741.8

Dear Ms. Rupp:

The Credit Union National Association (CUNA) appreciates the opportunity to comment on the proposed rule that will clarify the requirements for purchase and assumption transactions by adding a specific exemption from the approval requirements for transactions between federally insured credit unions. The proposal also includes a request for comments on the provisions governing non-conforming investments by federally insured state-chartered credit unions (FISCUs), including investments in credit union service organizations (CUSOs). CUNA represents more than 90 percent of our nation's nearly 8,900 federal and state-chartered credit unions, which serve nearly 87 million members.

Summary of CUNA's Comments

- CUNA supports the clarification that purchase and assumption transactions between federally-insured credit unions do not require NCUA approval.
- CUNA generally supports the requirements for the other types of purchase and assumption transactions that do need approval, but requests clarification that approvals should be directed to the regional office in which the headquarters of the acquiring credit union is located.
- With regard to changes to the rules involving nonconforming investments by FISCUs, we cannot at this time support the removal of the requirement to establish special reserves and replacing it with a requirement that such investments be of "investment grade." Also, if NCUA moves forward to develop such a proposal, it should clarify investments in CUSOs would not be covered.



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CUNA supports the clarification of NCUA's current policy that purchase and assumption transactions between federally-insured credit unions do not require NCUA approval. We agree that transfers between federally-insured credit unions do not pose an increased risk to the National Credit Union Share Insurance Fund (NCUSIF) and will not negatively affect the safety and soundness of federally-insured credit unions.

CUNA also agrees with NCUA's proposal to add provisions to Part 741.8 on how credit unions can apply for NCUA approval for other types of purchase and assumption transactions that may require such approval. However, we believe that NCUA should be more specific as to which regional office should receive such requests. Our suggestion would be the regional office in the region in which the headquarters of the acquiring credit union is located, as opposed to the current proposal that references the office in which the credit union "operates."

As for the request for comments on possible changes to the rules involving nonconforming and CUSO investments by FISCUs, we cannot at this time support the removal of the requirement to establish special reserves for nonconforming investments and replacing it with a requirement that nonconforming investments be of "investment grade" at the time of purchase. We are concerned because there are a number of investments that FISCUs can make that are currently not permitted for federal credit unions. As such, these investments would be considered "nonconforming." NCUA has provided no justification for such a change, and we believe it is unwarranted.

Also, for many of these types of investments, it would be impractical to obtain a rating from a nationally recognized statistical rating organization that would be necessary in order to achieve the designation of "investment grade," with one example being loan participations with nonmembers, which are permitted for some FISCUs but not for federal credit unions. We urge NCUA not to issue such a proposal in the absence of documented concerns.

We also note that there is an ambiguity in NCUA's discussion of these possible changes that may be interpreted to mean a requirement that these nonconforming investments be of "investment grade" would also apply to investments in CUSOs. We assume NCUA did not intend for these provisions to apply to investments in CUSOs, as it would make little sense to do so, and we would appreciate it if NCUA clarifies this when it issues the specific proposal.

Thank you for the opportunity to comment on the proposal regarding purchase and assumption transactions and the request for comments regarding nonconforming investments. If Board members or agency staff have questions about our comments, please contact Senior Vice President and Associate General Counsel Mary Dunn or me at (202) 638-5777.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey Bloch", written over a light blue rectangular background.

Jeffrey Bloch
Senior Assistant General Counsel