



September 26, 2005

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

Dear Ms. Rupp:

This letter is in response to the National Credit Union Administration's (NCUA) request for comments regarding possible changes to Part 712 and Part 741 governing the activities and investments of state-chartered federally insured credit unions. The Credit Union Legislative Coalition (CULC) consists of both state and federal chartered credit unions doing business in Texas.

NCUA is considering removing the requirement for FISCUs to establish special reserves under 741.3 (a) (2) for nonconforming investments and prohibiting all such investments other than investment grade. The meaning of "investment grade" would be determined by NCUA. The reason noted for this change is that "some" state-chartered credit unions "may" make investments beyond those authorized in the Act or NCUA regulations for federal credit unions, and these investments raise "safety and soundness concerns." No facts or data were given to support the safety and soundness concerns. We believe this is a rather drastic and draconian proposal to make without more justification.

NCUA is also considering extending some of the limits in the CUSO rule to FISCUs. NCUA sites the reason for this change as "potential" liability for state-chartered credit unions, and the resulting "potential" liability for the NCUSIF, if their CUSOs do not observe corporate separateness. Again, we feel that allegations of this nature should be supported. Although we are not familiar with the requirements of other states, Texas already addresses the separateness issue quite well.

On behalf of CULC, I urge NCUA to reconsider amending this portion of Part 741. To move forward without thoughtful consideration would be detrimental to the dual-chartering system as we know it. And to circumvent, by federal preemption, a state's laws without substantial proof a problem exists is not, in our opinion, an appropriate function for the share insurer.

Should you have questions or require additional information, please do not hesitate to contact me.

Sincerely,

Melodie Stegall
Executive Director

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