

September 2, 2005

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

Re: Proposed Rule Part 741; Requirements
for Insurance

Dear Ms. Rupp:

Navy Federal provides the following comments in response to the National Credit Union Administration's (NCUA) proposed changes to Part 741.

Navy Federal supports the proposed addition of subsection (b)(3) to Part 741.8, which clarifies that transactions involving the sale or purchase of loans or other assets between federally-insured credit unions do not require NCUA approval. We agree with the NCUA Board that transfers between federally-insured credit unions do not materially increase risk to the National Credit Union Share Insurance Fund (NCUSIF). Further, we agree that these types of transfers will not negatively affect the safety and soundness of federally-insured credit unions, given the many other regulations governing these transfers and NCUA enforcement of these regulations.

In light of this proposed amendment, we believe that the meaning of Part 741.8(b)(2) is somewhat ambiguous because it also refers to certain transactions between federally-insured credit unions. Therefore, we encourage NCUA to clarify Part 741.8(b)(2).

NCUA also proposes adding language to Part 741.8 explaining how credit unions could apply for NCUA approval for those transactions that require such approval. Navy Federal believes the proposed language is clear and reasonable, and that the addition of this language to the regulation will help clarify how credit unions should seek such approval. However, we encourage NCUA to specify to which regional office the credit unions should apply. For example, we believe it would be appropriate to require the approval request to be submitted to the regional office in the region in which the headquarters of the acquiring credit union is located.

Navy Federal supports eliminating the requirement that federally-insured state-chartered credit unions establish special reserves for nonconforming investments. We believe that simply

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requiring all nonconforming investments to be “investment grade” at the time of purchase will provide better consistency with Generally Accepted Accounting Principles and will reduce potential risk to the NCUSIF.

Finally, Navy Federal supports extending the structure, accounting, audit, and corporate separateness provisions of Part 712, Credit Union Service Organizations (CUSOs), to federally-insured state-chartered credit unions. Currently, only federally-chartered credit unions must comply with these provisions governing a credit union’s relationship with a CUSO, and we believe that federally-insured state-chartered credit unions also should be required to comply. Such a change will further uniformity among credit union interactions with CUSOs and reduce risk to the NCUSIF.

It is our understanding that this proposed change would not subject federally-insured state-chartered credit unions to the rest of the rules in Part 712, such as the rules governing investment, loan, and employee compensation limitations. We encourage NCUA to explore requiring federally-insured state-chartered credit unions to comply with all of the provisions in Part 712 with which federally-chartered credit unions must comply. We believe that requiring federally-insured state-chartered credit unions to comply with all of these provisions would further reduce risk to the NCUSIF and promote uniformity among credit unions’ CUSO relationships.

Navy Federal appreciates the opportunity to provide comments to the Board in response to its proposed changes to Part 741.

Sincerely,

A handwritten signature in black ink that reads "Cutler Dawson". The signature is written in a cursive style with a large initial "C".

Cutler Dawson
President/CEO

CD/sb