



October 31, 2007

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

Re: Comments on Advanced Notice of Proposed Rule (ANPR) for
Parts 703 and 704

Dear Ms. Rupp:

I am writing on behalf of the State Department Federal Credit Union (SDFCU) in response to the National Credit Union Administration's (NCUA) request for comment regarding permissible foreign currency investments. As evidenced by our name, the United States State Department is one of the largest groups in our field of membership. These members are stationed around the globe and have a keen interest in foreign currency denominated products and services being offered by SDFCU. SDFCU does not have immediate plans to offer foreign currency denominated products and services; however, SDFCU is currently studying services and products that can make our members' overseas assignments more seamless from a banking and financial perspective.

SDFCU believes that credit unions should have the ability to make investments denominated in foreign currencies. Furthermore, this authority should be flexible enough to match the needs of credit unions with both simple and sophisticated overseas operations. Allowing foreign currency investments in federally insured banks, corporate credit unions and GSEs would greatly reduce a credit union's foreign currency risk by allowing members' foreign currency deposits and a credit union's investment in the same currency to act as a simple hedge against losses or gains to the credit union from currency fluctuations. We believe this small step forward enhances the utility of any rule allowing credit unions to accept foreign currency deposits while strengthening the soundness of credit unions that accept foreign currency deposits.

NCUA should go beyond allowing foreign currency investments, which only hedge foreign currency risks, and give credit unions the ability to lend to members in foreign currencies. Foreign currency lending also would act as a hedge against currency fluctuation and benefit members by giving them a familiar source for banking services while in a foreign land. We do not envision accepting deposits or lending in the

currency of every country where an SDFCU member resides. Nonetheless, we would like the option of offering foreign currency deposits and loans in countries where there is a sufficient concentration of members to make the services practical to SDFCU and SDFCU's overseas based members.

SDFCU appreciates the opportunity to comment on this topic. Although most credit unions' membership bases do not have a need for foreign currency based deposits and lending, foreign currency based products could be an important benefit for credit unions that have large groups of members living overseas. Lending in foreign currencies would create a simple hedge while at the same time enhancing member benefit. Moreover, we see foreign currency deposits and the leeway to manage these risks through loans denominated in these same foreign currencies as necessary to the future success of SDFCU and other credit unions that serve large groups of members that live outside of the United States.

Best regards,

Lance Noggle
Regulatory Compliance Counsel