



CUNA

Credit Union National Association

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cuna.org

Ms. Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke St

Re: Interim Final Rule – Prompt Corrective Action: Amended Definition of Low-Risk Assets; RIN 3133-AD81

Dear Ms. Rupp,

The Credit Union National Association (CUNA) appreciates the opportunity to comment on the National Credit Union Administration Board's (Board's) request for comment regarding its interim final rule (final rule) that amends the definition of "low-risk assets" under prompt corrective action (PCA). In October, following a meeting with some of our largest credit union members where this issue arose, CUNA requested the definition be amended as the Board has done. In light of that, we strongly support the change. By way of background, CUNA is the largest credit union trade organization in the country, representing approximately 90 percent of our nation's nearly 7,700 state and federal credit unions, which serve approximately 93 million members.

Discussion of CUNA's Views

CUNA appreciates the Board's efforts and supports a number of the actions it has taken so far related to stabilization of the corporate credit union system. A major component of the Board's stabilization plan is the funding of the conserved corporate credit unions' "legacy assets." As part of the plan, the distressed assets will be funded by senior debt instruments referred to as "NCUA Guaranteed Notes" (NGNs) that have been offered to public investors, including credit unions and other financial institutions.

The final rule the Board has adopted amends the PCA definition of "low-risk assets" to expand this category of investments to include "debt instruments unconditionally guaranteed by the National Credit Union Administration." 12 C.F.R. § 702.104. Assets in the low-risk category are considered to be riskless and, therefore, receive a risk-weighting of zero percent for PCA purposes.



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We believe the amended “low-risk assets” definition will facilitate the ability of credit unions to invest in the NGNs and we support the Board’s position that investment in the NGNs and other debt instruments guaranteed by NCUA are “riskless”—especially in light of the fact that the agency is backed by the full faith and credit of the United States.

While it is now clear that the amended definition of “low-risk assets” includes credit union investments in the NGNs, we believe the expanded definition could be broader than investments in the NGNs, and could include other types of permissible credit union investments. We ask the Board to consider issuing a separate rulemaking to broaden the scope of the new definition to include similar low-risk investments, such as credit union investments in Federal Home Loan Bank securities.

Lastly, we support the Board’s decision to make the final rule effective upon publication in the Federal Register. Had the Board delayed the final rule’s effective date, we believe, either the first two offerings of the NGNs would have been much less successful or the agency would have decided to delay offering the NGNs until the effective date—a decision that would have likely had an adverse impact on the entire credit union system.

Thank you for the opportunity to express our views on the Board’s interim final rule that amends the definition of “low-risk assets” to include credit union investments in certain instruments guaranteed by NCUA, including NGNs. If you have any questions about our views, please do not hesitate to give CUNA Regulatory Counsel Luke Martone or me a call at (202) 508-6743.

Sincerely,

A handwritten signature in cursive script that reads "Mary Mitchell Dunn".

Mary Mitchell Dunn
CUNA Deputy General Counsel