



November 29, 2010

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

RE: PCA; Amended Definition of Low-Risk Assets

Dear Ms. Rupp:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents federal credit unions (FCU), I am writing to you regarding the National Credit Union Administration's (NCUA) interim final rule to expand the definition of "low-risk assets" for regulatory capital purposes to include debt instruments on which the payment of principal and interest is unconditionally guaranteed by NCUA.

NCUA issued the interim final rule on the heels of the agency's announcement of its resolution plan relative to corporate credit union legacy assets. At the heart of that plan is the securitization of the legacy assets in the form of debt instruments denominated as "NCUA Guaranteed Notes" (NGNs), which payment of principal and interest is fully guaranteed by the NCUA. Pursuant to the interim final rule, NGNs fall within the definition of "low-risk assets" in NCUA's Prompt Corrective Action (PCA) regulations, permitting a risk-weighting of zero to be applied to the NGNs. Prior to the changes made by the interim rule, only cash on hand and the National Credit Union Share Insurance Fund deposit qualified as "low-risk assets."

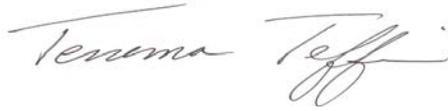
NAFCU supports the interim final rule. As a general matter, we agree with the agency that the full guarantee by NCUA on the payment of principal and interest does substantially reduce the credit risk associated with the NGNs. We also agree with the agency that permitting NGNs to be assigned zero risk-weighting creates an incentive for credit unions interested in investing in the debt instruments as credit unions will not have to consider the adverse affect that such investments would have on their PCA net worth.

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While NAFCU supports the rule, we believe that it is imperative that NCUA is fully transparent as regards each offering of NGNs and provide credit unions as much information about the securities as permitted by law. We believe full transparency and disclosure is important for credit unions to make business decisions on such instruments, especially since some credit unions do not have the expertise or resources to examine the securities to the extent that others have.

NAFCU appreciates the opportunity to comment on the interim final rule. Should you have any questions or would like to discuss these issues further, please contact me at (703) 842-2268 or ttefferi@nafcu.org.

Sincerely,

A handwritten signature in cursive script, reading "Tessema Tefferi".

Tessema Tefferi
Associate Director of Regulatory Affairs