



January 27, 2011

VIA E-MAIL TO: regcomments@ncua.gov

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

RE: OCUF Comments on Notice of Proposed Rulemaking for Part 704 – Corporates

Dear Secretary Rupp:

The Ohio Credit Union Foundation (OCUF) was founded in 1997 as the philanthropic 501(c) (3) arm of the Ohio Credit Union League. The OCUF provides natural person credit unions with scholarships for education and training, works with credit unions and community groups to bring needed financial services and financial education into their communities, and assists credit unions and their communities, in Ohio, the United States, and worldwide in times of disaster.

We normally do not offer comments on the National Credit Union Administration's (NCUA) proposed rules, but the rules proposed for 12 CFR Parts 701, 704, and 741 Corporates have the ability to significantly impact our operations as well as the operations of our credit union supporters.

OCUF would like to offer comments on two of the seven proposed rules, Section 701.5 – limitation of membership and Section 704.21 – sharing of Temporary Corporate Credit Union Stabilization Fund costs. Our comments follow the summary of the proposed rules.

1. Sect. 701.5 – Protect against unnecessary competition between corporates by limiting NPCUs to membership in one corporate of the NPCU's choice at any one time and prohibiting an NPCU from making any investment in a corporate where the NPCU is not also a member.

OCUF is an associate member of Corporate One FCU and uses COFCU for our corporate treasury needs. While this is the preferred arrangement, it may be necessary for OCUF to partner with other members of the corporate credit union network from time to time to acquire services that Corporate One FCU does not offer. The proposed rule would eliminate our ability to do so by specifically limiting organizations to membership in one corporate credit union and by preventing corporate credit unions from conducting business with non-members.

OCUF would be forced to acquire services not offered by Corporate One FCU from other financial services organizations, probably outside of the credit union movement. If this occurs, liquidity will leave the credit union movement, costs to OCUF will increase, and the time required to transact business between currently partnered organizations will be extended. Increased costs move donated funds from charitable programs to overhead expenses; extended transaction time means disaster relief funds won't be available for rescue efforts as quickly. Such increased costs and diminished operations are not uncommon when the federal government (NCUA in this case) disrupts market exchange with unnecessary market limitations.

The rules published in the Federal Register on October 20, 2010, have substantially reduced the ability of corporate credit unions to compete for members based on investment returns, which is the stated goal of the currently proposed rule. Additional rules in this area are redundant and unnecessary. We therefore respectfully request that NCUA withdraw 701.5 from the final rule.

2. Sect. 704.21 – Provide for the equitable sharing of Temporary Corporate Credit Union Stabilization Fund expenses among all members of corporates, including both credit union and noncredit union members, by establishing procedures for requesting members not insured by the National Credit Union Share Insurance Fund to make voluntary premium payments to the Temporary Corporate Credit Union Stabilization Fund.

As stated above, the OCUF is a charitable organization, not a credit union. No contract for services exists between OCUF and NCUA. As such, NCUA has no authority to assess the OCUF Temporary Corporate Credit Union Stabilization Fund costs. OCUF donors expect their donations to be used for scholarships, outreach/financial education programs, and disaster relief, not Temporary Corporate Credit Union Stabilization Fund costs.

Since most donations to OCUF are made by credit unions that are paying Temporary Corporate Credit Union Stabilization Fund assessments directly to NCUA, assessing OCUF Temporary Corporate Credit Union Stabilization Fund costs would actually be a type of double taxation. It doesn't make sense to tax those funds for a second time by assessing Temporary Corporate Credit Union Stabilization Fund costs against OCUF directly.

Per the proposed rule, if OCUF were to decline to pay Temporary Corporate Credit Union Stabilization Fund fees assessed by NCUA, OCUF would be subject to a vote on possible expulsion from corporate membership. This situation is untenable as many of the credit unions forced to vote on possible expulsion would be OCUF donor and/or recipient credit unions. This could potentially strain relations with those credit unions, reducing OCUF's ability to raise funds to carry out its exempt purpose.

Finally, this proposed rule will significantly impair the operation of the Community Investment Fund, an investment program operated in partnership with the corporate credit union network, the National Credit Union Foundation, and the State Foundations. Through this program, credit unions make investments in their corporate credit unions and split the income, retaining 50% for the credit union and sharing the other 50% with the Foundations. If, as noted above, organizations are expelled from membership for declining to pay a Temporary Corporate Credit Union Stabilization

Fund assessment, investments will flow out of the Community Investment Fund, removing income from the Foundations and reducing their ability to provide support to the credit union system.

Clearly, NCUA does not have the legal authority to make Temporary Corporate Credit Union Stabilization Fund assessments against non-federally insured credit unions such as OCUF. In the future, NCUA should refrain from proposing rules that expose credit union organizations such as OCUF to the coercive intent plainly evident in 704.21. We therefore respectfully request that NCUA withdraw 704.21 from the final rule.

Thank you again for your consideration in this matter.

Respectfully submitted,

A handwritten signature in cursive script that reads "Kathy Kanipe".

Kathy Kanipe
Chair, Ohio Credit Union Foundation

Cc: Mary Dunn, SVP and Deputy General Counsel, CUNA
Paul Mercer, President, Ohio Credit Union League
Jennifer Ferguson, Chair, Ohio Credit Union League
Steve Behler, Chair, OCUL Government Affairs Committee