



February 7, 2011

VIA E-MAIL TRANSMISSION
regcomments@ncua.gov

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

***Re: Proposed Rulemaking for Part 704—
Corporate Credit Unions
Addendum to Comment Letter filed January 27, 2011***

Dear Ms. Rupp:

The Illinois Credit Union League (“League”), represents almost 400 credit unions doing business in Illinois that in turn serve approximately 3,000,000 consumers. The League filed its comment letter on the above-captioned rulemaking via email in a timely manner on January 27, 2011. This letter is submitted to identify an additional concern with the proposed rule (“NCUA Rule”). It is tendered as an addendum to our original comment letter and we hope the Board and staff will consider it.

For sake of brevity, we offer our additional point of concern in the following format (definitional terms used herein have the same meaning as used in our original comment letter and the NCUA Rule):

The Rulemaking Discourages Participation in Corporate Credit Union Capital Offerings, in Light of Expulsion Risk for Failure to Make “Voluntary Payments” to the TCCUSF:

1. If NCUA proceeds with its pending corporate credit union rulemaking to require “voluntary payments” to the TCCUSF from non-FICUs, then non-FICUs face risk of expulsion from their corporates if they don’t pay the assessment.
2. Corporate credit unions are currently engaged, or may soon engage, in capital offerings to address the new capital requirements and standards set forth in the agency’s September Rulemaking (75 Fed.Reg. 54786, October 20, 2010). If a non-FICU participates in a corporate credit union capital offering, it will have invested in PCC and also possibly NCA. Consistent with the earlier and substantial revisions to the corporate credit union rule in the September

Rulemaking, it can never receive back its PCC and NCA cannot be redeemed prior to maturity, without prior written approval of NCUA.

3. The NCUA Rule is silent on the release of term investments such as NCA prior to maturity, if a non-FICU is expelled from membership for non-payment of the voluntary assessment to the TCCUSF. The Rule is also silent on the return of PCC, in the event of expulsion for that reason.
4. Accordingly, the peril of non-FICU membership expulsion for failure to contribute to the TCCUSF has the unintended consequence of hindering or discouraging capital contributions to corporate credit unions, which is a first line of defense to protect the NCUSIF. If non-FICUs proceed to invest in their corporates, their PCC and NCA capital will be tied up at a corporate credit union from which they may be subsequently expelled as members.
5. Non-FICUs may conclude that they should avoid participating in corporate credit union capital offerings, due to NCUA's failure to address the contingency of returning capital to an expelled non-FICU.
6. NCUA desires corporates to be well capitalized. The irony of the proposed rule is that it will deter non-FICUs from investing in corporates because they can be "expelled" from membership without a return of contributed capital, if they don't voluntarily contribute to a stabilization fund from which they derive no benefit.

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As we emphasized in our original comment letter, the League and the credit unions it serves are strongly opposed to the proposed rulemaking. The proposed rule should be amended to delete new Section 704.21, for all of the reasons set forth in our comment letter and this addendum. We have appreciated the opportunity to respond to the agency's request for comments and ask that this addendum be appended to our original comment letter of January 27, 2011. Thank you.

Very truly yours,

ILLINOIS CREDIT UNION LEAGUE

By: 

Stephen R. Olson
Executive Vice President &
General Counsel

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