

October 20, 2013

Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Delivered Electronically

Subject: Charitable Donation Accounts; 12 CFR Parts 703 and 721; RIN 3133-AE17

Dear Mr. Poliquin:

On Thursday, September 19, 2013, the NCUA proposed a clarification to the rules governing Charitable Donation Accounts (CDA). The Board proposes to amend its regulations to clarify that, under certain circumstances, a federal credit union is authorized to fund a CDA, which may hold investments that are impermissible for an FCU as a charitable contribution or donation under its incidental powers authority. The Northwest Credit Union Association (Association)¹ appreciates the NCUA's commitment to developing policies to promote charitable giving. The Association suggests modifications to the proposal in order to better facilitate charitable activities.

General Comments

The Association strongly supports charitable giving, through close ties to the Northwest Credit Union Foundation (NWCUF) a 501(c)3 that promotes asset-building, economic empowerment, and cooperative development in communities throughout the Northwest. In 2012, more than 177 NW credit unions contributed \$6.6 million dollars and volunteered nearly 90,000 hours to empower underserved communities. The NCUA proposal will allow credit unions to make investments in charitable trusts with higher yields, further increasing the positive impact credit unions have in distressed communities.

Specific Comments

Maximum aggregate funding:

The Association has concerns that credit unions might misinterpret the proposed cap on CDA's to mean there is a cap on all charitable investments. The NCUA should clarify in the preamble that credit unions retain the

¹ The Northwest Credit Union Association is a regional trade association representing the interests of more than 200 credit unions and their six million consumer-members; institutions that employ and engage more than 10,000 people and hold more than \$50 billion in aggregate assets. The Association is a nonpartisan advocacy organization representing the interests of its member institutions on a variety of systemically important banking issues.

Credit unions affiliated with the Association are principally domiciled in the Northwest quadrant of the United States, but the Association also has members from the states of Alaska, Idaho, California and Hawaii. Learn more about the Association at www.nwcua.org.

ability to make charitable contributions in community investment funds that contain permissible investments beyond the regulatory cap set for charitable donation accounts containing impermissible investments.

Since March 6, 2009 the S&P 500 has increased by nearly 150 percent. The Association would encourage the NCUA to amend the requirement that the aggregate book value of all CDA investments not exceed 3 percent of net worth, to allow for the investment to be appropriately managed. Specifically section 721.3 (i) could be changed as follows:

The book value of your investments in all CDAs, in the aggregate, as carried on your statement of financial condition prepared in accordance with GAAP, must be limited to 3 percent of your net worth at ~~all times for the duration of the accounts inception~~, as measured at ~~least every~~ the most recent quarterly call report cycle. ~~This means that regardless of how many CDAs you invest in,~~ the combined ~~book value of all such~~ CDA investments must not exceed 3 percent of your net worth with the total portfolio value (including unrealized gains) not to exceed 5 percent of net worth. You must bring your aggregate accounts into compliance with the maximum aggregate funding limit within 30 days of any breach of this limit.

The suggested change would better facilitate charitable donations allowing for a range of acceptable growth and fluctuation in net worth, while still maintaining safety and soundness.

Conclusion

The Association strongly supports the proposed charitable donation accounts rule permitting credit unions to engage in otherwise impermissible investments to support charitable activities. The Association urges the NCUA to prioritize finalization of this rule and we ask that the rule take effect immediately.

We appreciate the NCUA's commitment to improving the regulatory landscape for credit unions and the measured approach to issuing this Rule. Thank you for the opportunity to comment on this issue. We would be pleased to answer any questions you may have.

Respectfully,

John Trull
Director of Regulatory Advocacy
Northwest Credit Union Association