

October 21, 2013

National Credit Union Administration
Gerald Poliquin, Secretary of the Board
1775 Duke Street
Alexandria, VA 22314-3428

RE: Comments on Proposed Rulemaking for Parts 703 and 721; RIN 3133-AE17

Dear Gerald Poliquin,

This comment letter represents the views of Credit Union of Southern California (CU SoCal) regarding the National Credit Union Administration's (NCUA's) proposal to amend Part 721 and 703 on funding a charitable donation account (CDA). CU SoCal has 58,000 members and \$731 million in assets. Although we are a state-chartered credit union and this proposal only applies to a federal credit union (FCU) today, the regulation from NCUA are often later adopted by the state's regulatory bodies. Therefore, we feel it is of value to comment. We appreciate the opportunity to provide these comments to the NCUA on this amendment.

CU SoCal is a strong advocate of the proposed guidance on CDAs. Through a variety of means, CU SoCal makes contributions to a wide selection of organizations, many of them charities, exempt from taxation. NCUA's proposal to fund a CDA, a hybrid charitable investment vehicle, is a significant step forward, encouraging this activity.

Considerations

Maximum Aggregate Funding

Limiting the investment in a CDA to 3 percent of a credit union's net worth for the duration of the account, appropriately limits the risk of the normally impermissible investment. We agree that aggregate book value is an appropriate method to evaluate this limit. Further, we agree that the quarterly call report cycle is an appropriate time frame to review this measure.

Regulatory Oversight

The proposed regulation establishes that if an FCU chooses to establish a CDA using a trust vehicle, then the trustee must be an entity regulated by the Office of the Comptroller of the Currency, the U.S. Securities and Exchange Commission (SEC) or another federal regulatory agency. Further, a regulated trustee or other person who is authorized to make investment decisions for a CDA, other than the FCU itself, must be registered with the SEC as an investment advisor. CU SoCal agrees with this guidance.

Account Documentation

CU SoCal agrees that formal documentation of terms and conditions controlling the account should be in a written operating agreement, trust agreement or similar instrument. Also, we concur that the credit union board of directors should adopt written policies addressing the CDA activity. Further we believe that a minimum of 51 percent of the CDA's total return should be disbursed to qualified charities. Further policy documentation, such as identifying specifically those charities the credit union plans to contribute to, adds complexity and limits the ability of a credit union to manage their on-going activities. We recommend minimizing the required policy to documentation to actively manage the CDA.

Summary

CU SoCal applauds NCUA for their efforts to improve credit union abilities to aid charitable organizations in the communities that we support. Individually, our efforts to strengthen these organizations have been noted in the past, but with the proposed guidance, NCUA has emphasized and encouraged the community focus that we have had and displays the "people helping people" philosophy that is the trademark of our movement.

Sincerely,

Rick Hoffman
VP, Business Development and Legislative Affairs
Credit Union of Southern California

cc: CCUL