



*"Because it's the right thing to do..."*

October 21, 2013

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

Re: 12 CFR Parts 703 and 721, Charitable Donation Accounts

Dear Mr. Poliquin:

The Carolinas Credit Union Foundation appreciates the opportunity to submit comments on the National Credit Union Administration's notice of proposed rulemaking for Parts 703 and 721, Charitable Donation Accounts. The Carolinas Credit Union Foundation is a 501(c)(3) tax-exempt charitable organization that is governed by a volunteer Board of Directors comprised of North and South Carolina credit union executives and serves as the principal philanthropic extension of those credit unions.

The Foundation's vision is to enrich the lives of children in the Carolinas by steering the ongoing great work of North and South Carolina credit unions to improve the physical, economic, and educational outcomes for children and their families. The Foundation relies on ongoing fundraising from those credit unions in order to turn our vision into practical outcomes. CCUF strongly supports the creation of hybrid charitable and investment vehicles, and thanks the NCUA for its progressive developing of a regulatory framework that supports such a structure. If we may offer the following suggestions to enhance and improve the proposed rule:

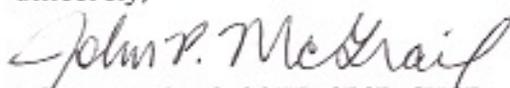
- The rule for Charitable Donation Accounts should not be associated with any existing tools that provide for charitable purposes that only use Part 703 qualifying investments. CCUF and other credit union charitable organizations rely on an investment vehicle named the Community Investment Fund. Investments in these funds are made through 703 qualifying investments only and dividends are shared at the credit union's decision between the institution and the charitable beneficiary. We anticipate continuing this program and would recommend the clear separation of this type of program as administrative and restricted to 703 qualifying investments as opposed to the definition of a CDA.



- As proposed, the rule defines maximum aggregate funding of a CDA for a credit union of 3% of net worth at all times (with 30 days given quarterly to be in compliance with the rule). This could potentially create undue limitations if the investments generate a significant rate of return. A credit union would have to divest part or, [potentially] according to the agreement with the safekeeping agent, their full investment and likely lose dividends. This could create penalties that would damage the overall return to both the credit union and the charitable beneficiary. We would recommend that the 3% of net worth be calculated and documented at the inception of the CDA purchase.
- The proposed rule allows credit unions to make their own investment purchases; however, the proposal provides that if another entity is managing the account, that entity must be a Registered Advisory with the Securities and Exchange Commission (SEC). We observe that this would lead to duplicate regulatory oversight. The Office of Comptroller of Currency (OCC) supervises trust companies that are banks, federal savings banks, or federal thrifts. Such an institution is unlikely to take the actions and invest the expense necessary to receive SEC registration in order to manage CDA's for credit unions. We would recommend that the requirement for SEC registry only apply to entities that are not currently regulated and supervised by the OCC.
- With the support of First Carolina Corporate Credit Union's executive team we would recommend that the rule also address Part 704 to allow corporates to engage in CDA's as well. We would recommend a limit of 10% of retained earnings or 3% of total capital for the investment cap.
- Lastly, we would recommend that the proposed rule amend the definition of "total return" to include administrative costs associated with creating and management of the CDA to make it more appealing for credit unions to participate.

The CCUF thanks the NCUA for allowing credit unions to invest in CDA's while creating safeguards to ensure that the donations are used for intended charitable purposes. On behalf of our Board of Directors and staff, we thank you for your consideration.

Sincerely,



John P. McGrail, CCUE, CFSP, CUCE  
President/CEO