



**NORTH CAROLINA
CREDIT UNION LEAGUE**
Committed to helping credit unions succeed

October 21, 2013

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

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

Dear Mr. Poliquin:

On behalf of the North Carolina Credit Union League (NCCUL), I am writing in response to the NCUA's recently issued proposal that would establish a Charitable Donation Account (CDA) as a preapproved incidental power of a federal credit union. Allowing federal credit unions to invest in CDAs, while creating safeguards to ensure the donations are used for intended charitable purposes, will permit credit unions greater investment flexibility with the potential for higher returns. In that regard, the NCCUL is supportive of the proposal and offers the following recommendations to enhance and improve the final rule:

- The proposed maximum aggregate funding for a federal credit union of 3% of net worth at all times could create limitations if the investments generate significant gains. A federal credit union would then have to reduce holdings in CDAs prematurely. We recommend that the 3% of net worth investment cap be measured at the time of purchase or placement of the investment in a CDA.
- As written, the proposed rule does not address the ability of corporate credit unions to participate in CDAs. However, based on discussions with First Carolina Corporate Credit Union, we would encourage the NCUA to examine allowing corporates to create CDAs. A proposed investment maximum of "the lesser of 10% of retained earnings or 3% of total capital" would strike an appropriate balance between mediating risk among the corporates and fostering participation within the entire credit union system.
- The requirement for an entity (besides a credit union) that manages the CDA's investments be registered with the Securities and Exchange Commission (SEC) could create duplicative regulatory oversight that is unnecessary. The Office of Comptroller of Currency (OCC) supervises trust companies that are banks, federal savings banks or federal thrifts. It seems unlikely that an institution already regulated by the OCC will undertake the actions and expenses necessary to receive SEC registration in order to be eligible to manage CDAs for credit unions. Therefore, under the framework of regulatory oversight we would recommend that the requirement for an entity to be registered with the SEC as an investment advisor only apply to an entity not already supervised by the OCC.

- The proposal outlines the minimum distribution amount and frequency of at least every five years for credit unions to generate funds for tax-exempt charities. However, it is noted in the comments received from the National Credit Union Foundation and the Carolinas Credit Union Foundation that a more frequent distribution schedule would provide greater funding certainty to the benefiting organization. We would suggest that you carefully consider the operational recommendations from these charitable foundations to ensure the success of CDAs for its intended purpose.
- Lastly, we would recommend that NCUA amend the proposed definition of "total return" to include administrative costs associated with the creation and management of CDAs to make it more appealing for federal credit unions to participate.

On behalf of North Carolina's credit unions, we thank you for your consideration.

Respectfully Submitted,

A handwritten signature in black ink that reads "John F. Radebaugh". The signature is written in a cursive style with a large, prominent initial "J".

John Radebaugh
President/CEO
North Carolina Credit Union League
323 West Jones Street, Suite 200
Raleigh, NC 27603