

May 8, 2017

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

Re: Alternative Capital – Advance Notice of Proposed Rulemaking

Dear Mr. Poliquin:

Chartway Federal Credit Union appreciates the opportunity to provide input regarding the framework for Alternative Capital. We also applaud NCUA's efforts to expand access in a fair and equitable manner and to make alternative capital available to all credit unions.

As the financial services industry has and continues to quickly shift in both delivery methods and the diversity of product / service needs, it is imperative that the credit union industry adapts to meet the increased competitive landscape and market challenges throughout all economic cycles – both now and well into the future. We must operate in an environment that will enable an organization to grow and to invest in the needs of current and potential members beyond that which is currently restricted to our current single source of capital: Net Income.

Additionally, we encourage the agency to continue its current path in considering / implementing alternative access to capital, and to ensuring that the execution and potential impact to all credit unions is understood well in advance.

We also encourage the agency to pursue implementation that would have a certain level of flexibility and utilize a limited period of discovery to adjust and fine tune throughout the process of finalizing this important regulatory opportunity that clearly impacts the future of our industry in a positive manner.

Enclosed below, please find our responses to the questions posed by the ANPR:

**Should additional supplemental forms of capital be included in the RBC numerator and how would including such capital protect the Share Insurance Fund from Losses?**

Yes, all additional forms of supplemental capital should be included in the RBC numerator, and should not create any issues since the risk-based net worth requirement is determined at the discretion of the NCUA Board (as opposed to the Net Worth Ratio defined by the Federal Credit Union Act).

Any instrument categorized by the NCUA as supplemental capital that is included in the RBC numerator should be subject to a documented set of "flexible" NCUA guidelines (i.e. not constraining in the manner of a one-size-fits-all rule but based on the complexity of the credit union). It should further authorize a range of instruments that must be uninsured, subordinate to other claims, would avoid granting expanded ownership or additional voting

rights (if in the form of member shares), provide proper consumer disclosures / protections, and in no way compromise the cooperative / mutual ownership structure of a credit union. For example: the significant risk that would be posed if Capital Stock were authorized as a form of supplemental capital.

If the issuance of supplemental forms of capital adhere to the above basic requirements and the period of discovery initially includes an NCUA review and approval of instruments to be issued, the Share Insurance Fund would be protected from losses.

**If yes, to be included in the RBC numerator, what specific criteria should additional forms of capital reasonably be required to meet to be consistent with Generally Accepted Accounting Practices (GAAP) and the Act, and why?**

The Federal Credit Union Act defines Net Worth to mean the retained earnings balance of the credit union, as determined under Generally Accepted Accounting Practices (GAAP) together with amounts that were previously retained earnings of any credit union with which the credit union is combined. The criteria to include in the RBC numerator is at the discretion of the NCUA Board, as defined in the final RBC regulation and should follow the minimum requirements as reflected in (1) above and would therefore not impact either the requirements of the Act or those under GAAP.

**If certain forms of certificates of indebtedness were included in the risk based capital ratio numerator, what specific criteria should such certificates reasonably be required to meet to be consistent with GAAP and the Act and why?**

With certificates of indebtedness issued as supplemental capital, the basic requirements as outlined in (1) and (2) above (uninsured, subordinate to other claims, no expanded or increased ownership or voting rights etc.) should be followed whereby inclusion in the risk based capital ratio would not be an issue in maintaining consistency with either GAAP or the Act. Clarity as to borrowing authority of a federal credit union per the Act would most likely be required (see below).

**In addition to amending NCUA's RBC regulations, what additional changes to NCUA's regulations would be required to count additional supplemental forms of capital in NCUA's RBC ratio numerator?**

NCUA may need to clarify or expand the borrowing authority of federal credit unions as outlined in the Act that may or could be interpreted as restricting such credit union borrowing to natural persons - leaving ambiguity in the legal ability for investment by institutional investors / subordinated debt instruments.

**For state chartered credit unions, what specific examples of supplemental capital currently allowed under state law do commenters believe should be included in the RBC ratio numerator, and why should they be included?**

State credit unions that are federally insured should adhere to the same guidelines and requirements as federal credit unions in protecting the Share Insurance if the supplemental capital is to be included in their RBC numerator (in addition to all applicable state chartered requirements).

**What investor suitability, consumer protection, and disclosure requirement should be put in place related to additional forms of supplemental capital?**

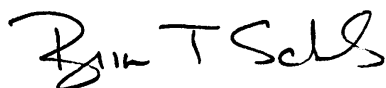
NCUA indicates that supplemental capital would be considered a security and therefore, governed by state and federal security laws. Accordingly, consumer / investor protection, anti-fraud requirements, and disclosures should be modeled by NCUA in a manner similar to the rules and regulations established for low income designated credit unions.

Correspondingly, consumer protection practices and disclosure requirements should comply with all requirements associated with those agencies currently responsible for regulating and governing the protection of consumers and investors in the issuing of comparable securities (such as the Securities and Exchange Commission / SEC).

In summary, there is much work to be done as this critical opportunity progresses from the early ANPR stage and beyond to discovery, testing, fine-tuning, and eventual implementation. It is important that this be accomplished in a timely manner and in alignment with the RBC effective date.

Please consider Chartway Federal Credit Union willing and available to work with the NCUA regarding the review, discovery, and impact analysis and any work that may be associated with the initiation of supplemental capital.

Best,

A handwritten signature in black ink that reads "Brian T. Schools". The signature is written in a cursive style with a large, stylized initial "B".

Brian T. Schools  
President & Chief Executive Officer