Please Do Not Reply To This Email.

Public Comments on Alternative Capital:========

Title: Alternative Capital
FR Document Number: 2017-01713
RIN:
Publish Date: 2/8/2017 12:00:00 AM

Submitter Info:
First Name: Casey
Last Name: Kucera
ZIP/Postal Code: null
Email Address: null
Organization Name: null
Comment: I urge the NCUA to allow supplemental capital for credit unions for Risk-Based Capital purposes. It will allow a credit union to be better prepared to weather challenging economic times and increase the safety and soundness of the institution. All of this can be done without altering the member-owned cooperative nature of the credit union. NCUA would be wise to allow for this additional tool for credit unions to use.

As a low-income designated credit union, Jefferson Financial recently applied for and was granted approval to move forward with a proposed secondary capital plan which is set to commence this quarter. The implementation of the plan will allow us to optimize our Balance Sheet and earnings to continue to expand member services and returns. Expansion to credit unions without the low-income designation would benefit the financial health of the credit union industry as well as the members whom they serve.

The following address the bullets from the January 19, 2017 Board Action Bulletin:

- Associated regulatory changes - The proposed rule covers the change necessary to implement for all credit unions.

- Potential tax implications - None for federal credit unions. Because state-chartered CUs report on the Form 990 tax relative to unrelated business income, there should be no tax implications for these institutions either.

- Potential director and management liability issues - The agreement between the financier and the credit union can provide additional limitations of this liability.

- Investor protection issues - It's appropriate to limit the sale and funding of secondary capital to knowledgeable investors; however, it might be wise to open this to non-institutional investors of means to increase availability of sources.

- Impact on mutual ownership structure of CUs - The proposed rule and incorporation of alternative capital to a credit union's Balance Sheet does not impact the mutual ownership of the institution. Supplemental capital, by regulation and agreement, is a subordinated debt with no rights to dividends nor voting shares.

Again, we encourage the NCUA Board to adopt this rule to further the ability of credit unions to continue their mission to serve their membership.

I urge the NCUA to allow supplemental capital for credit unions for Risk-Based Capital purposes. It will allow a credit union to be better prepared to weather challenging economic times and increase the safety and soundness of the institution. All of this can be done without altering the member-owned cooperative nature of the credit union. NCUA would be wise to allow for this additional tool for credit unions to use.

As a low-income designated credit union, Jefferson Financial recently applied for and was granted approval to move forward with a proposed secondary capital plan

which is set to commence this quarter. The implementation of the plan will allow us to optimize our Balance Sheet and earnings to continue to expand member services and returns. Expansion to credit unions without the low-income designation would benefit the financial health of the credit union industry as well as the members whom they serve.

The following address the bullets from the January 19, 2017 Board Action Bulletin:

- Associated regulatory changes - The proposed rule covers the change necessary to implement for all credit unions.

- Potential tax implications - None for federal credit unions. Because state-chartered CUs report on the Form 990 tax relative to unrelated business income, there should be no tax implications for these institutions either.

- Potential director and management liability issues - The agreement between the financier and the credit union can provide additional limitations of this liability.

- Investor protection issues - It's appropriate to limit the sale and funding of secondary capital to knowledgeable investors; however, it might be wise to open this to non-institutional investors of means to increase availability of sources.

- Impact on mutual ownership structure of CUs - The proposed rule and incorporation of alternative capital to a credit union's Balance Sheet does not impact the mutual ownership of the institution. Supplemental capital, by regulation and agreement, is a subordinated debt with no rights to dividends nor voting shares.

Again, we encourage the NCUA Board to adopt this rule to further the ability of credit unions to continue their mission to serve their membership.