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May 9, 2017

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration ("NCUA")
1775 Duke Street
Alexandria, VA 22314-3428
regcomments@ncua.gov

RE: Comments on Advance Notice of Proposed Rulemaking for Alternative Capital

Mr. Poliquin:

Oregon Community Credit Union ("OCCU") respectfully submits the following response to the NCUA's *Advance Notice of Proposed Rulemaking for Alternative Capital*. At \$1.65 billion in assets, OCCU strongly supports the availability of alternative forms of capital in order to continue its long history, along with much of the credit union industry, in providing stable and reliable access to savings and credit through ample liquidity and institutional capital to families and small businesses across America. The industry has proven its superior performance in challenging times relative to other financial institutions and should be permitted to further strengthen that call through additional access to capital apart from earnings-generated capital should the traditional bank-driven financial services economy ever sustain a similar crisis as seen in 2008 and beyond.

OCCU, like its peers, focuses on returning earnings to its members in several ways and, accordingly, access to alternative forms of capital would be an important tool in continuing and maximizing that investment back into our communities while building the capital strength necessary to ensure a sound presence when times are difficult. We hope the following comments will be influential in your deliberations:



1. We believe the availability of alternative capital should not fundamentally change the not-for-profit cooperative capital structure of the credit union, thus sources of alternative capital should not impact the member-owned structure of our industry and the decision-making and control dynamics of the current member-owners should not in any way transition to those alternative providers of capital.
2. Given the importance of a credit union's capital structure and its control by its member-owners, we believe alternative capital may best be achieved through subordinated debt or similar instruments appropriately structured including: an uninsured status and subordinate to all claims against a credit union; a reasonably termed maturity period with no early redemption option in order to normalize and stabilize capital inflows and outflows; proper investment suitability and disclosure standards to mitigate against legal risks, especially those associated with potential investor expectations of insurability (which can be further mitigated by allowing institutional investors to also participate); no voting rights; and be applicable to and capped at an appropriate portion of *both* total net worth and risk-based capital.
3. While other forms of alternative capital such as Voluntary Patronage Capital ("VPC") and Mandatory Membership Capital ("MMC") are an option and, where unlike subordinated debt, only members may provide such funding, we believe the nature of debt as a capital source versus equity-like sources such as VPB or MMC better preserve the current capital structure of a credit union and the fundamental and simple relationship of a credit union to its member-owners. In addition, debt-focused instruments may potentially offset regulatory compliance burdens associated with SEC equity-based offering rules, although we believe exemptions from SEC registration requirements historically granted for purposes of the sale of non-investment deposit products should also apply in the case of alternative capital-raising activities.
4. Because corporate credit and low-income designation credit unions were exposed to supplemental capital risks during the Great Recession, we believe careful control, disclosure, and oversight alternative capital-raising practices with respect to natural-person credit unions is wholly appropriate.
5. For credit unions, such as OCCU, whom are in growth-mode and where asset growth is outpacing revenue growth, access to alternative capital allows them to sustain that growth in their communities while ensuring sound liquidity positions as safeguards to both memberships and the NCUSIF.

6. Access to alternative capital should be limited to those credit unions whom are adequately or well capitalized in order to ensure a sound risk management infrastructure of the industry as a whole and prevent alternative forms of capital from supplanting principle sources of capital and thus jeopardizing safety and soundness. In short, we believe reliance on retained earnings should remain the conventional and primary means of capital growth and preservation.

7. We do not believe that the availability of alternative capital in any way changes the tax-exempt status of credit unions since subordinated debt carries no voting rights and is subordinate to any and all superior claims by credit union members, general creditors, and the NCUSIF. Traditionally, and by statute, the tax-exempt nature of credit unions has been derived directly from its member-owned, democratically operating not-for-profit status, a status that remains wholly unchanged in the proposed rule allowing for alternative forms of capital.

Mr. Poliquin, we appreciate the opportunity to be heard on this matter and thank you for the NCUA's continued efforts to support the work we do each day serving our members.

Sincerely,

Gregory B. Schumacher

Gregory Schumacher
Chief Administrative Officer
Oregon Community Credit Union