

Filed via regcomments@ncua.gov

May 8, 2017

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

Re: 12 CFR Parts 701, 702, 703, 709, 741 and 745; Comments on Advance Notice of Proposed Rulemaking re Supplemental Capital

Dear Mr. Poliquin:

The Illinois Credit Union League is the primary association for nearly 300 state and federally chartered credit unions throughout the State of Illinois, who in turn serve 3 million consumers. We thank you for the opportunity to comment on NCUA's current Advance Notice of Proposed Rulemaking ("ANPRM") regarding alternative forms of capital for credit unions. The ANPRM seeks comment on a broad range of considerations with respect to alternative capital for federally insured credit unions.

We commend NCUA's efforts for exploring expanded options for credit unions to build capital beyond retained earnings. Access to supplemental capital would provide an additional tool for credit unions to withstand the negative economic cycles unavoidable in the financial industry. Without access to additional forms of capital, many credit unions will be forced to limit growth and thereby impair their ability to develop new product offerings and effectively serve members and potential members.

Credit unions stand out as the only depository institution in the United States without the ability to issue some form of capital instrument to augment retained earnings in order to build capital. While the credit union industry is generally well-capitalized, permitting credit unions to access supplemental forms of capital would improve safety and soundness by allowing them to develop a supplemental cushion to reduce risk to the National Credit Union Share Insurance Fund (NCUSIF). In addition, access to supplemental capital is a necessary extension to NCUA's risk-based capital rule for many credit unions.

NCUA should adopt supplemental capital rules without putting in jeopardy the credit union ownership structure and cooperative nature. Drawing on the secondary capital requirements of a low income designated credit union, the rule should include adequate protection for investors, disclosure requirements and reporting standards. NCUA should have access to review and respond to a credit union's supplemental capital plan, the plan should demonstrate that the uses of the supplemental capital conform to the mission of the credit union.

Furthermore, the rule should maximize safety and soundness requirements while allowing the credit union flexibility in supplemental capital instruments based upon market demands.

The Federal Credit Union Act does not speak directly to the definition of the risk-based net worth requirement but rather provides the NCUA Board with broad discretion to design the risk-based net worth requirement. Consequently, NCUA maintains leverage to include supplemental capital in its risk-based capital structure. Access to supplemental capital would help credit unions enhance access to credit and affordable financial services for consumers and small businesses and improve their ability to serve their members and potential members by way of expanded service offerings.

A question outlined in the proposed rule relates to provisions in the Federal Credit Union Act that could authorize Federal Credit Unions to issue any form of supplemental capital other than subordinated debt. In addition to subordinated debt, evaluating the types of capital instruments available to other financial institutions may bring a good foundation, recognizing many of the characteristics of supplemental capital used by other depository institutions would need to be replicated in versions that account for the unique cooperative structure of credit unions. As the ANPRM points out, additional regulatory changes will be necessary to realize the full benefit of the supplemental capital rule.

The authority under which a federally insured state chartered credit union should issue supplemental capital instruments merits future investigation as the topic of supplemental capital progresses. Both state and federal regulatory agencies must explore supplemental capital options to ensure uniformity among all credit unions. Further, concerns about taxation are important. While the ANPRM provides evidence that the status of a credit union's cooperative nature is not fundamentally in jeopardy by accessing supplemental capital, it is imperative NCUA be positioned to examine supplemental capital instruments that may pose a degree of risk.

Again, we applaud NCUA's efforts in moving forward with the construction of its supplemental capital rule in a cautious and cooperative manner.

We thank you for your time and consideration.

Sincerely,

ILLINOIS CREDIT UNION LEAGUE

Joni Senkpeil

Joni Senkpeil, VP Compliance Solutions