

January 22, 2019

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

RE: Comments on Proposed Rulemaking - Fidelity Bonds

Dear Mr. Gerald Poliquin,

I am writing on behalf of Patelco Credit Union, which serves Northern California. We have over 345,000 members and over \$6.6 billion in assets. Patelco Credit Union appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rulemaking regarding fidelity bonds.

While we agree a credit union Board of Directors must understand and approve the fidelity bond coverage, determining the necessary levels of coverage is an operational function best left to management. Only management sees the risks that such policies cover. Teaching the Board, in particular a non-employee Board member, the intricacies of this calculation is far more detailed than the oversight expected of Board members. Having the Supervisory Committee review bond applications makes some sense, but having a Board member attest is not reasonable.

We appreciate NCUA's predicament as liquidating agent, but requiring credit unions to purchase more expensive policies that include extension clauses is not a fair solution. Credit unions fail at such a low rate, it is not reasonable to make all credit unions pay more to cover this low risk cost.

We agree credit unions should have the option to purchase fidelity bond coverage for their owned CUSOs. Since CUSO failures put stress on the soundness of the owner credit union, having the coverage option is prudent.

NCUA is required to maintain a list of approved forms of bond coverage. This has served the industry well. The proposal to sunset policy types and open up a new approval process adds unwanted uncertainty. We do not support this effort by NCUA to shift coverage risk onto credit unions.

Thank you for the opportunity to comment on this proposed rule and for considering our views on NCUA's requirements for fidelity bonds.

Sincerely,

Jay Hartlove
Compliance Manager
Patelco CU

cc: CCUL

