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**National Association of Federally-Insured Credit Unions**

August 31, 2017

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

RE: Corporate Credit Unions (RIN 3133-AE75)

Dear Mr. Poliquin:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), the only national trade association focusing exclusively on federal issues affecting the nation's federally-insured credit unions, I am writing in regard to the National Credit Union Administration's (NCUA) proposed rule to amend its regulations governing corporate credit unions and the scope of their activities. NAFCU supports corporate credit unions and the invaluable role they serve in injecting much needed liquidity into the system. The NCUA's efforts to enhance the operations of corporate credit unions are admirable but should be done while remaining cognizant of the lessons of the past. Accordingly, NAFCU supports this proposed rule because it provides corporate credit unions with greater flexibility in the calculation and treatment of capital and simultaneously promotes increased certainty and stability in the credit union system.

According to the NCUA's most recent Call Report data, over 62 percent of federally-insured natural person credit unions have perpetual contributed capital (PCC) with a corporate credit union. This figure demonstrates the importance of corporate credit unions to the safety and soundness of the credit union industry as a whole. The proposed rule modifies 12 C.F.R. Part 704 to create a new definition of "Tier 1 capital," which permits a corporate credit union to include PCC; adds a new definition of "retained earnings ratio;" and revises the definition of retained earnings to include "GAAP equity acquired in a merger." The NCUA's 2010 rule encouraged corporate credit unions to build their levels of retained earnings to absorb losses without putting other parties, such as natural person credit unions, at risk. This, however, limited the amount of PCC that could be included in calculating a corporate credit union's leverage ratio.

Corporate credit unions have since built up sufficient retained earnings. Consequently, NAFCU approves of the NCUA's recognition that the current rule must be modified so as to not disadvantage corporate credit unions. This proposed rule is likely to be very helpful for many corporate credit unions because it allows for the full recognition of PCC as Tier 1 capital once a corporate credit union reaches a retained earnings ratio of 250 basis points. Corporate credit unions that reach this threshold will now be able to reap the benefits of recognizing the full value of PCC, which will, in turn, benefit their members and consumers. This change has the potential

to result in: greater available liquidity to provide to natural person credit unions; increased transparency and understanding of the value of the PCC purchased by natural person credit unions; and heightened stability and faith in the safety and soundness of the credit union industry overall.

## **Conclusion**

NAFCU supports the NCUA's proposed amendments to its regulations governing corporate credit unions and appreciates the opportunity to provide comments on the proposed rule. If you have any questions or concerns, please do not hesitate to contact me at [akossachev@nafcuh.org](mailto:akossachev@nafcuh.org) or (703) 842-2212.

Sincerely,

A handwritten signature in black ink, appearing to read "Ann Kossachev". The signature is fluid and cursive, with the first name "Ann" and last name "Kossachev" clearly distinguishable.

Ann Kossachev  
Regulatory Affairs Counsel