



Credit Union National Association

cuna.org

601 Pennsylvania Ave., NW | South Building, Suite 600 | Washington, DC 20004-2601 | **PHONE:** 202-638-5777 | **FAX:** 202-638-7734

May 2, 2014

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

Re: Comments on Proposed Rule 710

Dear Mr. Poliquin:

The Credit Union National Association (CUNA) appreciates the opportunity to submit comments on the proposed notice of rulemaking on voluntary liquidation of credit unions. By way of background, CUNA is the nation's largest credit union advocacy organization, representing our nation's state and federal credit unions, which serve nearly 99 million members.

The proposed rule updates 12 CFR Part 710, which details the process that federally insured credit unions must follow should they choose to liquidate. The NCUA Board substantively updated the rule in 1993. CUNA supports the agency's efforts to update the rule and generally agrees with it. We are recommending some changes to reinforce that liquidation of a credit union is a drastic step and should be only be undertaken when no other options are viable.

We recognize that a small number of credit unions may choose to liquidate but we urge NCUA to add language to the rule requiring agency staff to work with a credit union considering such an option to find ways to either continue operation or merge with another credit union, in order to ensure members will continue to have access to a credit union if at all possible.

The proposal would allow a liquidating credit union to publish notices in electronic media and distribute payout funds electronically. While we think voluntary liquidations should be disfavored, we see no reason to oppose the use of technology for these purposes.

NCUA is proposing to increase the asset thresholds for the application of notice and other requirements. We do not support these changes. As indicated above, a liquidation is an exceptional event and credit unions of all sizes seeking to take this



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drastic step should be required to follow all notice and other requirements to effect liquidations.

We appreciate the agency's objective in proposing to permit only partial distributions of member funds over the National Credit Union Share Insurance Fund limit. The agency is concerned about costs to the NCUSIF should the credit union prove to be insolvent. However, we think the process NCUA should follow should be fully consistent with that of the FDIC. As you are aware, in a liquidation, the FDIC pays amounts up to \$250,000 and provides a claim against the estate of the closed bank to the depositor for any remaining amounts above the insurance coverage. These funds are not paid until the bank is liquidated. We believe that NCUA should follow a similar process for credit union liquidations, which should be explicitly detailed in the regulation. Since credit unions are owned by their members, who are their depositors, it would be inappropriate for members to be treated any less favorably than bank customers in a liquidation context.

Conclusion

Consistent with longstanding CUNA policy, we believe that credit union liquidation should only occur as a last resort and our recommended changes reflect that view. If you have any questions about our letter, please do not hesitate to give me a call at (202) 508-6736.

Sincerely,



Mary Mitchell Dunn
Deputy General Counsel and Senior Vice President