

May 11, 2007

Mary F. Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

RE: Comments on Proposed Rule Regarding Records Preservation Program
and Appendices – Record Retention Guidelines; Catastrophic Act
Preparedness Guidelines

Dear Ms. Rupp:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents the interests of our nation's federal credit unions (FCUs), I am responding to the request for public comment on the National Credit Union Administration's (NCUA) proposed rule regarding catastrophic act preparedness.

The proposed rule follows NCUA's review of events in the aftermath of recent catastrophic events, including hurricanes Katrina and Rita. The review revealed that credit unions that had considered potential threats and identified critical functions for retrieving vital records were better able to address anticipated challenges and restore vital records. The proposed rule would address concerns regarding restorations of vital member records and services, establish minimum standards for preserving vital records, and provide guidance for restoring vital member services.

Records retention and preservation has been a consistent compliance challenge for NAFCU member credit unions. NAFCU applauds the NCUA for recognizing these challenges and for providing guidance to ensure that credit unions are adequately addressing the critical issue of preserving vital records in the event of a catastrophe. We also commend NCUA for its work in the aftermath of recent catastrophic events and appreciate the fact that the agency seeks to finalize and implement the proposed rule before the upcoming hurricane season.

NAFCU generally supports the proposed rule and provides the specific comments below:



Definition of “Catastrophic Act”

The proposed rule would amend the definition of “catastrophic act” to provide that a qualifying event includes any event causing an interruption in vital member services for more than two business days. NAFCU generally agrees with the proposed definition. Most NAFCU member credit unions have indicated that two business days is adequate time to restore member services. However, some smaller credit unions only provide financial services on a limited number of days per week. Thus, NAFCU urges the agency to modify the “catastrophic act” definition to take into consideration those limited service credit unions.

Under the proposed rule, NAFCU is concerned that a credit union that is open only for part of the week will be required to report to NCUA even if member services are not affected by the catastrophic event triggering the reporting requirements. For example, under the proposed rule, a credit union that is open only on weekends must comply with the requirements of Part 748 even if the catastrophic event occurred on a Monday.

To address this concern, NAFCU believes that NCUA should provide a definition of “business day” to apply specifically to the rules related to catastrophic act preparedness. Currently, Part 748 does not define the term “business day.” Defining “business day” to take into account the days a credit union is open for business would alleviate unnecessarily burdensome compliance challenges for limited service credit unions.

Accordingly, NAFCU recommends that a business day be defined as any day, or part of a day, in which the credit union is open for providing services to its members.

Part 749

NAFCU generally supports the proposed amendments to Part 749. Specifically, NAFCU believes that the definitions of “vital member services” and “vital records” adequately and accurately reflect what credit unions members most critically seek in the aftermath of a catastrophic event. Further, NAFCU agrees with the required procedures under proposed § 749.2 as well as the recommendation to include in the required procedures a method for using duplicate records to restore vital member services. Additionally, NAFCU believes that proposed Appendix B provides valuable guidance for credit unions to develop a program for preparing for a catastrophic act.

However, while NAFCU is pleased with the proposed amendments to Part 749, we urge NCUA to provide flexibility for small credit unions to adopt adjusted policies to fit their limited services. As indicated above, credit unions that provide limited services each face challenges unique to their situation. Providing flexibility would allow these



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institutions to address concerns related to records preservation more cost effectively while also ensuring that the goals and purposes of the proposed rule are met.

Additionally, NAFCU suggests that NCUA modify what constitutes a vital record to include the credit union's general ledger. This would provide credit unions with clearer guidance with regard to records retention. At the same time, credit unions would be encouraged to ensure they have access to key financial records in the event of a catastrophic disaster.

NAFCU appreciates this opportunity to share its comments on this proposed rulemaking. Should you have any questions or require additional information please call me or Tessema Tefferi, NAFCU's Associate Director of Regulatory Affairs, at (703) 522-4770 or (800) 336-4644 ext. 268.

Sincerely,

A handwritten signature in cursive script, reading "Fred R. Becker, Jr.", positioned to the left of a vertical red line.

Fred R. Becker, Jr.
President/CEO

FRB/tt

