



Office of the President

July 7, 2008

JUL 08 10:08 AM 7:19 BOARD

Ms. Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: Proposed Changes to 12 CFR Part 721,
Incidental Powers

Dear Ms. Rupp:

Navy Federal Credit Union provides the following comments in response to the National Credit Union Administration's (NCUA) proposal on federal credit union incidental powers.

Navy Federal supports NCUA's proposed changes to the incidental powers rules in 12 CFR Part 721. It is our understanding that these changes derive from previous NCUA Office of General Counsel legal opinions permitting federal credit unions to engage in certain activities, such as (1) acting as finders for financial and nonfinancial products and services of vendors or other financial institutions; (2) offering payroll services to business members; and (3) providing correspondent services to foreign credit unions. Incorporating these activities into the regulation solidifies federal credit unions' understanding of their incidental powers authority. Further, federal credit unions choosing to engage in these activities will have additional opportunities to serve their members' financial services needs. Reasonably priced credit union products and services are particularly important during these stressed economic times. We also appreciate NCUA's willingness to keep its regulations current and provide consistency between Agency legal opinions and federal credit unions' express regulatory authority.

Thank you for the opportunity to provide comments in response to NCUA's proposed changes to the incidental powers rules. If you have any questions, please contact Shannon Burt, Senior Policy Analyst, at (757) 234-4073.

Sincerely,

A handwritten signature in black ink, appearing to read "Cutler Dawson".

Cutler Dawson
President/CEO

CD/sb

NAFCU REQUEST FOR COMMENTS

Proposed Rule: Incidental Powers

Prepared by: Navy Federal Credit Union

1. The proposal would amend NCUA's incidental powers rule to recognize that federal credit unions may provide correspondent services to foreign as well as federal or state-chartered credit unions. Do you support this change? Why or why not?

Yes X No _____

Comments: Although Navy Federal has no immediate plans to begin offering correspondent services to foreign credit unions, we support this change. Incorporating this activity into the regulation confirms federal credit unions' understanding of their incidental powers authority. Federal credit unions choosing to engage in this activity will have additional income generation options, which is particularly important during these sluggish economic times. We also appreciate NCUA's willingness to keep its regulations current and provide consistency between Agency legal opinions and federal credit unions' express regulatory authority.

Further, we understand that this change derived from a 2006 NCUA Legal Opinion about a shared branching project with Ecuador. Nonetheless, we support NCUA's cautionary note, located in the supplementary information of the proposal, to credit unions to pay close attention to applicable U.S. or international laws before engaging in any transaction with a foreign credit union.

2. The proposed rule would clarify that vendors may be providers of non-financial products or financial products, including insurance, and that federal credit unions may act as finders for the financial products of other financial institutions. Do you agree with this amendment? Please explain your response.

Yes X No _____

Comments: Navy Federal supports this clarification to the incidental powers rules. As previously stated in our response to Question #1, incorporating this activity into the regulation solidifies and confirms federal credit unions' understanding of their incidental powers authority. Federal credit unions choosing to engage in this activity will have additional income generation options, which is particularly important during these sluggish economic times. We also appreciate NCUA's willingness to keep its regulations current and to provide consistency between Agency legal opinions and federal credit unions' express regulatory authority.

3. NCUA is proposing to amend the operational programs category of Part 721 to clarify that federal credit unions may provide payroll services. Is your credit union supportive of this proposed revision? Please provide a detailed answer.

Yes X No _____

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Comments: Navy Federal supports this change and believes that payroll services are prudent extension of federal credit unions' authority to serve member businesses. Further, and as previously stated, incorporating this activity into the regulation solidifies and confirms federal credit unions' understanding of their incidental powers authority. Federal credit unions choosing to engage in this activity will have additional opportunity to serve their members' financial services needs. Reasonably priced credit union products and services are particularly important during these stressed economic times. We also appreciate NCUA's willingness to keep its regulations current and to provide consistency between Agency legal opinions and federal credit unions' express regulatory authority.

Does your credit union suggest any additional clarifications or amendments to the incidental powers rule? If so, please describe.

Yes _____ No X

Do you have any other comments on the proposal or on NCUA's incidental powers rule (12 CFR Part 721) in general?

Yes _____ No X



Cutler Dawson, President/CEO

Date 7/7/08 Navy Federal Credit Union