

May 19, 2006

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

Re: Share Insurance Interim Final Rule

Dear Ms. Rupp:

Navy Federal provides the following remarks in response to the National Credit Union Administration's (NCUA) request for comments on its proposal to amend the Federal Credit Union Act's share insurance rules. Navy Federal encourages members to become financially self-sufficient and promotes a financial education philosophy that emphasizes planning, thrift and the prudent use of credit. We welcome the recent increases in coverage for retirement accounts as a recognition of the value of retirement savings for our members.

NCUA suggests two possible tests to determine if it is appropriate to extend coverage to non-member participants in an employee benefit plan; (1) if the plan trustee or the employer sponsoring the plan is a credit union member, or (2) if some percentage of plan participants are credit union members. We support the first test and believe that it is appropriate that the agency require that an employer or trustee have a member relationship with their credit union prior to providing full share deposit insurance coverage. We do not support the second.

In some cases, a credit union member may acquire a business account from a credit union. As that business entity grows, it might establish an employee benefit plan through the credit union. In our view, the strength of the business entity's member relationship with the credit union (as evidenced by the decision to take advantage of additional credit union services) suggests that it is appropriate that NCUA extend share insurance coverage to all participants of the benefit plan comparable to coverage provided by the FDIC.

Because the credit union services are provided to the business member entity, we do not support the "percentage of plan participants" measure for the purposes of determining insurance coverage. We believe that the ratio of member participants to non-member participants is irrelevant to the plan itself. We reason that the business member employee benefit plan must be in existence prior to individuals joining the plan and that it is the existence of the plan (and not the member status of a prescribed number of subsequently participating individuals) that should determine whether or not the coverage is received.

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Additionally, while Navy Federal has concerns that a “percentage of plan participants” measure may simply prove unworkable, we are especially troubled that this measure could actually undermine the confidence that credit union members have in credit unions and the services they provide. With this provision in place, it is not unreasonable to imagine a scenario where a benefit plan could move from insured to uninsured (based on the ratio of participating members to participating non-members) on a month to month basis. Likewise, that same benefit plan could just as easily change back to insured status if the percentage of member participation increased. Credit unions would, presumably, then be required to report on the ever-changing state of coverage to the plan participants, almost certainly creating participant confusion and alarm. Notwithstanding the obvious operational difficulties associated with continuous reporting, we are concerned that this measure could have the ultimate effect of undermining confidence in credit unions and the services they provide.

Navy Federal Credit Union appreciates the opportunity to provide remarks in response to the NCUA’s request for comments on its proposal to amend the Federal Credit Union Act’s share insurance rules.

Sincerely,

A handwritten signature in black ink that reads "Cutler Dawson". The signature is written in a cursive, slightly slanted style.

Cutler Dawson
President

CD/pm