

July 23, 2005

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

Re: NCUA Proposed Rule 713, Fidelity Bonds & Insurance Coverage

Dear Ms. Rupp,

The Georgia Credit Union League (GCUL) appreciates the opportunity to comment on the National Credit Union Administration's proposal to revise the rules regarding fidelity bond and insurance coverage for federal credit unions (FCUs) and federally insured state credit unions (FISCUs). GCUL is the state trade association and one member of the network of state leagues that make up the Credit Union National Association (CUNA). GCUL serves approximately 200 credit unions that have over 1.7 million members. This letter reflects the views of our Regulatory Response Committee, which has been appointed by the GCUL Board to provide input into proposed regulations such as this.

Background:

The NCUA Board has issued a proposal to modernize the agency's fidelity bond rules for FCUs and FISCUs. The rules provide a sliding scale, based on asset size, for both the maximum allowable deductible and the coverage amounts in a fidelity bond. The maximum deductible for FCUs, last increased in 1981, is currently \$200,000, and the maximum coverage, last changed in 1977, is \$5 million. NCUA conducts an internal rolling review of one-third of its regulations every year; these proposed changes are based on that review.

The proposed rule would maintain the current formula for the deductible but increase the maximum deductible to \$1,000,000 for those credit unions that qualify under NCUA's Regulatory Flexibility (RegFlex) Program. Under this revised sliding scale, credit unions that (1) qualify for RegFlex and (2) have assets over \$200 million would be able to purchase bonds with greater deductibles. The current deductible limits would remain in place for credit unions that do not qualify under the additional criteria. The new maximum deductible of \$1,000,000 would apply to qualifying credit unions with assets over \$998 million. A credit union initially meeting the criteria for a larger deductible but subsequently failing to do so must obtain the required

coverage within 30 days. In that case, the credit union must notify the NCUA regional office that its status has changed and confirm that it has secured the required coverage.

In addition, the proposed rule would increase the minimum bond coverage for credit unions with assets over \$500 million to equal one percent of assets, rounded to the nearest \$100 million, with a maximum required coverage of \$9 million. For smaller credit unions with assets less than \$4 million, the minimum required coverage would be raised to \$250,000 or the total assets, whichever is less.

Summary of GCUL's Position:

We support the decision to propose higher deductible limits. However, we would like to see other potential qualifying factors proposed. For example, we suggest capitalization levels as one possible factor. A highly capitalized credit union that does not qualify for RegFlex status could be in a position to afford a higher deductible and therefore, should have the option of higher deductible limits.

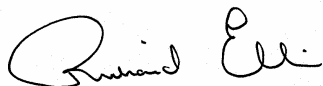
We agree with the increase in minimum bond coverage requirements. As noted by the NCUA Board, in many cases, most credit unions (both large and small) already have coverage above the minimums required by the regulation.

The current rule states that an FCU/FISCU should purchase additional coverage when circumstances, such as cash on hand or cash in transit warrant. We believe that the credit union board should be responsible for determining any factors (and subsequent risks associated with those factors) that could warrant additional coverage and act accordingly. We do not believe this should be required through regulation.

The proposal notes that Credit Union Blanket Bond Standard Form 23 of the Surety Association of America has not been changed since 1950 and is no longer used by many credit unions. However, we do not feel that NCUA should rescind its approval of the form if it is still a valid option.

Thank you for the opportunity to comment on the proposed revisions to NCUA's fidelity bond and insurance coverage requirements. If you have questions about our comments, please contact Cynthia Connelly or me at (770) 476-9625.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard Ellis". The signature is written in a cursive, flowing style.

Richard Ellis
Vice President/Credit Union Development
Georgia Credit Union League