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September 29, 2008

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

Sent via email

Re: *PCUA Comments on Notice of Proposed Rulemaking for Parts 702 and 704.*

Dear Ms. Rupp:

The Pennsylvania Credit Union Association (PCUA) and its member credit unions appreciate this opportunity to provide comments to the National Credit Union Administration (NCUA) regarding its proposed amendments related to the definition of post-merger net worth for purposes of prompt corrective action (PCA).

The PCUA is a statewide trade association that represents over eighty percent (80%) of the approximate 589 credit unions located within the Commonwealth of Pennsylvania. This response is offered on behalf of PCUA staff and our Regulatory Review Committee.

The Committee consists of 12 credit union CEOs who lead the management teams of Pennsylvania federal and state-chartered credit unions. Members of the Committee represent credit unions of all asset sizes. Many of our Committee members have expressed concern over the application of the “acquisition method” of financial reporting to credit union mergers and the resulting implications under PCA.

Accordingly, we support the NCUA’s proposal to amend the definition of net worth for PCA purposes to include the retained earning of an acquired credit union in a merger. We agree that the risk of being demoted to a lower PCA net worth category and, therefore, being exposed to the mandatory and discretionary supervisory actions of the PCA, would deter and discourage mergers among credit unions.

However, we join our colleagues who object to the additional language in the proposal that unnecessarily complicates the definition of net worth. The proposal describes a “mutual combination” as “a transaction in which a credit union acquires either another credit union, or an integrated set of activities and assets that is capable of being conducted and managed as a credit union *for purposes of providing a return in the form of economic benefits directly to owner members.*”

The emphasized clause appears to advance a policy issue in the definition of net worth for PCA purposes that is more appropriately addressed in other areas of the NCUA’s regulations. The addition of the clause

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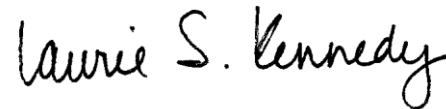
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in this proposal adds complexity and uncertainty to the definition that is not required under law or regulation. In this ever-increasing regulatory environment, we implore NCUA to simplify and clarify its regulations in new proposals so that credit unions are able to operate and make business decisions without exposure to excessive risk due to the addition of superfluous language.

Thank you again for this opportunity to comment on behalf of Pennsylvania credit unions. Please feel free to contact me or any of the PCUA staff at 1-800-932-0661 if you have any questions or if you would like to discuss our comments.

Sincerely,

A handwritten signature in black ink that reads "Laurie S. Kennedy". The signature is written in a cursive, flowing style.

Laurie S. Kennedy
Associate Counsel

LSK:llb

cc: Association Board
Regulatory Review Committee
J. McCormack
R. Wargo
M. Dunn, CUNA