



National Association  
of Federal Credit Unions  
3138 10th Street North  
Arlington, VA 22201-2149

NAFCU | Your Direct Connection to Education, Advocacy & Advancement

May 31, 2016

Dawn Wolfgang  
PRA Officer  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314

**RE: Comments on Agency Information Collection – Investment and Deposit Activities Related to Part 703 and Section 721.3 of NCUA Rules and Regulations; OMB Number 3133-0133**

Dear Ms. Wolfgang:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only national trade association focusing exclusively on federal issues affecting the nation's federally insured credit unions, I am writing to you regarding the National Credit Union Administration's (NCUA) information collection on investment and deposit activities.

As part of its effort to reduce paperwork and respondent burden, NCUA is inviting comments on the utility and practicality of continuing to collect information related to Part 703 and Section 721.3 of NCUA's rules and regulations, which prescribe federal credit union (FCU) powers under the Federal Credit Union Act (FCU Act). NCUA staff uses this information collection to determine compliance with the FCU Act, as well as with related rules and regulations, to determine the level of risk that exists within a credit union and actions taken to mitigate such risk. According to staff estimates, FCUs spend approximately 212,000 hours annually on information requirements prescribed under these rules.

NAFCU strongly encourages the agency to continue to work to find ways to reduce the regulatory burdens associated with this information collection. While the agency is examining ways to reduce the regulatory burden of information reporting, NAFCU would like to take this opportunity to restate issues we have previously raised related to investment and deposit activities.

*Section 721.3(n) - Asset Securitization*

In July 2014, NCUA proposed to permit FCUs to issue securities, backed by loans originated by the issuing FCU under the incidental powers authority prescribed in Section

721.3. According to NCUA's spring 2016 rulemaking agenda, the agency expects to finalize the rule soon. While NCUA works to finalize this rule, NAFCU renews our earlier calls for the agency to allow credit unions to purchase loans from other originators for the purposes of issuing securities.

NAFCU supports the fact that asset securitization would provide FCUs with much needed flexibility for managing liquidity and interest rate risk.

Section 703.16(a) - Mortgage Servicing Rights

NAFCU and our members ask that the agency permit credit unions to purchase MSRs, which are currently listed as a prohibited investment under section 703.16. Many credit unions, especially small credit unions, neither have the capacity nor the resources to perform mortgage servicing for their members' loans. As a result, they often choose to rely on third parties to perform such functions. NAFCU and our members believe it is both in the best interest of these credit unions, and the industry as a whole, if mortgage servicing is performed by other credit unions.

This approach is not only consistent with the credit union cooperative model, but would also better address safety and soundness concerns of individual credit unions and the National Credit Union Share Insurance Fund (NCUSIF). At the very least, a federally insured credit union (FICU) should not be prohibited from purchasing MSRs from other FICUs. However, if NCUA does not authorize credit unions to purchase MSRs outright, then NAFCU believes NCUA should provide guidance for eligible credit unions that wish to purchase MSRs under a pilot program authority contemplated under section 703.19.

NAFCU appreciates this opportunity to provide comments as the agency continues to solicit feedback and input from credit unions regarding unnecessary or unduly burdensome requirements of its rules and regulations. We look forward to continuing to work with NCUA to address more ways that the agency can streamline and refine existing regulations in order to more effectively grow and support the dynamic credit union industry. Should you have any questions or would like to discuss these issues further, please do not hesitate to contact me at [memancipator@nafcu.org](mailto:memancipator@nafcu.org) or (703) 842-2249.

Sincerely,



Michael Emancipator  
Senior Regulatory Affairs Counsel