

YOUNG, SHERON

From: RUPP, MARY F
Sent: Monday, October 03, 2005 9:54 AM
To: YOUNG, SHERON
Subject: FW: Charles R. Idol, Comments on Proposed Rule Part 741.3(a)(2)

From: CRIdol@aol.com [mailto:CRIdol@aol.com]
Sent: Tuesday, September 27, 2005 6:21 PM
To: _Regulatory Comments
Subject: Charles R. Idol, Comments on Proposed Rule Part 741.3(a)(2)

Ms. Mary Rupp, Secretary of the Board
National Credit Union Administration

While, in theory, I generally favor the proposed rule requiring nonconforming investments of FISCUs to be investment grade, there are several issues involved if such a requirement were adopted.

1. There is the philosophical issue that NCUA would appear to be undermining state regulatory authority pertaining to the investment activities of FISCUs. I don't think that's NCUA's intent, but it does have that appearance.
2. On a more pragmatic note, NRSRO assigned ratings generally apply to marketable debt securities. There are various types of nonsecurity debt and equity investments (including certain types of CUSO investments) for which NRSRO ratings would not be applicable or available. Thus, adopting the proposed rule change would preclude FISCUs from investing in these instruments.
3. It is also unclear why NCUA is proposing this rule change. Safety and soundness concerns were cited as a rationale in the proposed rule, yet there were no specific citations to any actual circumstances or types of investment activities of FISCUs that represent such concerns to NCUA or NCUSIF.

My biggest objection to this proposed rule change is #2 above.

Respectively submitted,

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