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September 22, 2005

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

VIA Email

RE: Proposed Rule 742 – RegFlex Program

Dear Ms. Rupp,

We offer the following comments regarding the proposed modifications to the RegFlex Program:

Net Worth Level

We support reducing the qualifying minimum net worth classification to “well capitalized” under Part 702. We believe that a credit union that has received a composite CAMEL Code 1 or 2 for two consecutive exams and is well-capitalized, as defined for prompt corrective action, should be qualified for the automatic exemption provided by RegFlex.

Credit unions are diverse in their philosophies and approach to building capital. For some boards of directors, the members are best served by building a relatively high level of capital; other boards of directors endeavor to maximize the return to member (whether through rates and/or services) while maintaining a prudent but relatively lower capital level. The net worth levels established for prompt corrective action represent a balance between the need for capital to ensure safety and soundness and the desire of many credit unions to maximize the return to member. A credit union that is well-capitalized should not have to choose between eligibility for RegFlex and return to member.

Net Worth Duration

We support expansion of the time frame for maintaining the minimum net worth in order to automatically qualify for RegFlex. We believe, however, that four consecutive quarters would be a sufficient time frame, particularly when viewed in conjunction with the requirement for a composite CAMEL Code 1 or 2 for two consecutive exams.

Notification

We agree that it is unnecessary for NCUA to notify each credit union that has automatically qualified for RegFlex.

Other Modifications

We support the inclusion of §701.36(b) among the regulatory restrictions from which RegFlex credit unions are exempt. A credit union with the proven track record necessary for RegFlex should have the discretion to plan for the retention or disposition of unused assets as it deems appropriate. This would be consistent with the additional flexibility granted for dealing with excess capacity in NCUA's modifications to Part 721 (Incidental Powers) in 2001.

We appreciate the opportunity to provide comments on the Board's proposed rule.

Sincerely,

Gail F. Bedell
Vice President & CEO