



3

OCT 12 '07 AM 6:39 BOARD

October 9, 2007

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

RE: Comments on Advance Notice of Proposed Rule (ANPR) for Parts 703 and 704

Dear Ms. Rupp:

On behalf of Northwest Federal Credit Union, I am responding to the National Credit Union Administration's (NCUA) request for comment regarding permissible foreign currency investments. Northwest Federal Credit Union greatly appreciates NCUA's willingness to consider expanded investment authorities with the hopes of allowing credit unions to offer foreign currency denominated products and services to its members. While we have no immediate plans to offer such products and services to our members, we can envision a scenario where our members would greatly benefit from foreign currency denominated products and services and would like to have the option of providing them in the future.

While we have not fully considered all aspects of the ANPR at this time, we feel strongly that the Board should also take up the issue of lending in foreign denominated currencies in conjunction with any proposed rule that would relate to foreign currency denominated investments. It is our view that for a credit union to offer products or services that are foreign currency denominated in a safe and sound manner, any authorities granted to invest in foreign currency must be complimented with the ability to lend in foreign currency. The reasoning behind the need for enhanced investment authorities is to enable a credit union to effectively hedge against the risk of currency fluctuation. **The most natural hedge** against such risk is the ability to match the book of business. In other words, a credit union with an equal amount of shares and loans in a given currency is naturally hedged against currency fluctuation risks. We are of the opinion that this natural hedge clearly provides the most effective first line of defense against currency fluctuation risks in these types of situation.

Moreover, it is generally accepted that the organic purpose of a credit union is to accept shares and make loans as well. NCUA has already recognized the providence of allowing credit unions to accept shares in a foreign currency as illustrated in the recently amended share insurance regulation found in Part 745.7 of NCUA Rules and Regulations. In our view, to promulgate a regulation that would prohibit a credit union's ability to make loans to its members would be inconsistent with one of the primary purposes of a credit union. Therefore, in keeping with solid principles of safety and soundness and a primary purpose of credit unions to provide loans for necessary and provident purposes, we would strongly encourage the Board to also consider granting a credit union the ability to lend to its members in foreign currency as well as to accept deposits.

4

Ms. Mary Rupp
Page 2
October 9, 2007

Northwest Federal Credit Union appreciates the opportunity to comment on this important subject. We readily recognize there are a limited number of credit unions who will take advantage of the ability to offer foreign currency denominated products and services to their member; however, we are convinced that the authorities contemplated in the ANPR will have a profoundly positive affect and will enable many credit unions to better serve the financial needs of their members.

Sincerely,



Juri Valdov
President/CEO