

Re: Docket No. NCUA-2025-1434 — Removal of Surety and Guaranty Collateral Requirements

I submit this comment in opposition to the National Credit Union Administration's proposal to remove segregated deposit and collateral requirements for federally insured credit unions acting as sureties or guarantors.

This proposal is an explicit deregulatory action that reduces prudential safeguards designed to protect the National Credit Union Share Insurance Fund (NCUSIF) and credit-union members.

I. Statutory Mandate and Safety-and-Soundness Obligations

The Federal Credit Union Act ("FCUA"), 12

U.S.C. §§ 1751–1795k, requires NCUA to prioritize:

- Safety and soundness**
- Protection of insured deposits**
- Stability of the NCUSIF**

Collateral requirements serve as core risk-mitigation tools. Their removal contradicts NCUA's statutory duty to act conservatively where insurance-fund exposure is implicated.

II. Deregulatory Risk and Moral Hazard

Removing collateral and segregation requirements:

- Transfers risk from credit unions to the insurance fund**
- Encourages higher-risk surety and**

guaranty activity

– Weakens internal controls

Deregulation in this context does not eliminate risk; it externalizes it.

III. Arbitrary and Capricious Action (APA)

NCUA has not demonstrated that:

- Existing requirements are unnecessary, or**
- Their removal will not increase systemic risk**

An agency must provide a reasoned explanation when reducing regulatory protections, especially where reliance interests exist. *FCC v. Fox Television Stations*, 556 U.S. 502, 515–16 (2009); *State Farm*, 463 U.S. at 43.

Failure to meaningfully assess downside risk renders the proposal arbitrary and capricious under 5 U.S.C. § 706(2)(A).

IV. Precedent Risk and Deregulatory Creep

This proposal risks serving as a precedent for further erosion of prudential standards under the guise of flexibility. Incremental deregulation of financial safeguards has historically preceded institutional instability.

See Motor Vehicle Mfrs. Ass'n v. State Farm, 463 U.S. at 48–49 (agency must consider alternatives and consequences).

V. Request

NCUA should withdraw this proposal or, at minimum:

- Retain collateral requirements for higher-risk activities**
- Conduct a full NCUSIF exposure analysis**
- Demonstrate consistency with statutory safety-and-soundness mandates**

Absent such safeguards, this rule poses unacceptable risk to credit-union members and the federal insurance system.

Respectfully submitted,

[Your Name]

Concerned Member of the Public

