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March 9, 2010

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

Dear Ms. Rupp:

Thank you for the opportunity to allow CDC Federal Credit Union to respond to the proposed changes to the Corporate Credit Union system by the National Credit Union Administration, we hope the NCUA will find value in our opinions. We want to contribute in a constructive way to the ongoing dialogue regarding the Corporate Credit Union structure.

Our general impression is that the NCUA has over-reacted to the failures of Wescorp and U.S. Central credit unions. Certainly we were appalled to discover some of the practices that were being engaged in that put at risk a significant amount of our invested capital in our local Corporate Credit Union. However, it appears to us that regulators either did not react or were slow to react when these practices were implemented. Yet, little attention is given to the fact that the agency, who supposedly had examiners in these institutions, failed the industry in not recognizing, addressing and correcting these risky practices as they occurred. As a result of our observations, we believe that the proposed changes go too far.

Consider Proposed 12 CFR 704.6 (c) & (d) regarding concentration limits, this proposal will require Corporate Credit Unions to reduce their investments in any obligor to 25% of capital from 50% of capital or $5 million, whichever is greater. Reducing the concentration limit to 25% of capital during this period of severely restricted Corporate Credit Union capital seems to us to be a path certain to forced mergers. Currently, Corporate Credit Union's balance sheets are bloated with cash. One of the few ways to make a spread is to be in a position to take advantage of short term spikes as they occur across the curve. CDC Federal Credit Union believes this proposal will indeed force Corporate Credit Unions into over-diversifying into no risk, low yielding products. We find it odd, that the reason given for this reduction in the general limit was to prevent over-diversification, when that will be its unintended consequence. We believe a more appropriate resolution is to graduate the general limit percentage based upon retained earnings and the amount of capital contributed collected by the Corporate Credit Union.

CDC Federal Credit Union believes these proposals will have a direct detrimental affect on our credit union. For example, Proposed 12 CFR 704.8(c) penalty for early withdrawals on corporate certificates, it is our contention CDC Federal Credit Union should be able to receive a premium on certificate redemption when liquidity demands the funds be returned to our credit union. Left

unchanged, we think this proposal will have a devastating effect on Corporate Credit Union's ability to raise funds when needed. It is our belief this proposal will necessitate credit unions looking elsewhere to park longer term cash positions to avoid the risk of incurring penalties.

We have considered the effects of some of the proposed changes as they relate to ALM management. It appears to us that CDC Federal Credit Union may as well establish lines of credit with the Federal Home Loan Bank (which we have, secured by purchased securities), the Federal Reserve (which we have, secured by purchased securities) and other banks (which we loathe to do) if some of the measures suggested by the NCUA are allowed to stand. Currently, CDC Federal Credit Union depends on Georgia Central Credit Union as a primary source of liquidity for short term and any long term lending needs. We believe this source will be jeopardized if Proposed 12 CFR 704.8 (h) – weighted average asset life limitation's is allowed to stand. Restricting Corporate Credit Unions to a mere two years weighted average life will only serve to reduce yields, limit diversification and ultimately drive natural person credit unions to other financial institutions outside our industry for liquidity and funding needs. The Proposal, as written, makes the statement that the Board thinks that a two year limitation will provide adequate flexibility and a risk profile consistent with the corporate mission. The Board went to some lengths to provide justification for this two year average weighted life model. However, the models provided as justification were, in our opinion, long on optimistic weighted average lives for the type products modeled, their estimated durations and projected market values which is skewed to the positive. Our recommendation would be to re-evaluate the two year weighted average life and extend the weighted average life to a duration that can be profitably managed. Now pertaining to NEV sensitivity analysis as Proposed in 12 CFR 704.8 (d), (e), & (f), we agree that 300bps shock analysis for interest rate risk is reasonable and should be performed on a routine basis. Further, we agree with our Corporate Credit Union's position that credit risk shock should be less than 300bps and should be asset category specific. We agree with our Corporate Credit Union that 100 bps is sufficient for AAA rated Asset Backed Securities and 50 bps for Government Sponsored Enterprise investments due to their low risk profile. Remember, there are a lot of good, experienced risk managers in Corporate Credit Unions who have performed rather well during this difficult environment. We encourage you to reward them with enough flexibility to succeed.

In the previous paragraph we made the argument for increased flexibility regarding ALM related issues. We have one more. We agree with our Corporate Credit Union that increase NEV volatility in the 100bps credit shock to -35% and -40% in a 50% prepayment slowdown test scenario.

We would like to comment on Proposed CFR 704.8(k) – Overall limit on business generated from individual credit unions. CDC Federal Credit Union understands why the NCUA would want to limit aggregate investments in Corporate Credit Unions by natural person credit unions. The proposed limit of 10% will force Corporate Credit Unions into borrowing positions outside the credit union network in order to meet liquidity demands from credit unions at much higher funding costs than accepting credit union deposits. CDC Federal Credit Union has experienced this limitation during the past year. As a part of our own ALM plan, we limit the amount of money we can have on deposit with our Corporate Credit Union in the form of CDs. As we bumped up against our self imposed ALM CD limit with our Corporate Credit Union, we had to

locate other institutions and organizations offering acceptable alternative investments for our excess liquidity. Again, this was due to limitations we placed on ourselves through our ALM policy. However, if we had experienced an additional limit imposed by the Corporate Credit Union, we would have found ourselves having to further diversify (and perhaps over-diversify) into lesser yielding bank deposit products causing additional work and cost for CDC Federal Credit Union to incur and monitor. A 10% limitation on the Corporate Credit Union's Daily Average Net Assets (DANA) seems too restrictive to us. Perhaps the Board would consider an increase to 15 – 20% more accommodating.

We would now like to comment on Proposed 12 CFR 704.19 – Disclosure of executive and director compensation. We would like to encourage the Board limit disclosing of employee and officer salaries to senior executives. We would suggest that the definition of a senior executive be limited only to those reporting to the Chief Executive Officer. We think this refinement will enhance the Corporate Credit Union's ability to attract well qualified people who will add value to the entire credit union system.

Our next comment refers to Proposed 12 CFR 704.11 Corporate Credit Union Service Organizations. We understand and accept that the proposed rule attempts to limit the range of services a corporate CUSO may engage in to limit risk. However, it appears to us that the only acceptable CUSO available to Corporate Credit Unions is one that offers brokerage and investment advisory services only. We have indeed found this to be a vibrant and valuable service. Currently, payment services would not be an approved activity for a Corporate CUSO. Further, many partners within a CUSO, not affiliated with the credit union movement, and may not allow full access to their books and records (perhaps due to ownership restrictions and other valid concerns) by the NCUA, thereby disqualifying their services. This action could prove restrictive and costly to natural person credit unions seeking services they cannot currently afford to offer by themselves. We believe that accommodations should be made for Corporate Credit Unions who are minority partners in CUSOs. One of the accommodations should be the elimination of the requirement for full access to the CUSO operations. However, for Corporate Credit Unions who are majority owners of a CUSO, then full access, we believe, should be granted. Please remember, CUSOs did not contribute to the stabilization problem that occurred from high risk positions taken by two high profile Corporate Credit Unions.

We now would like to comment on Proposed 12 CFR 704.4 – Prompt Corrective Action. CDC Federal Credit Union understands the NCUA's desire for increased regulatory supervision of Corporate Credit Unions. However, we believe these rules need to be more accommodating to Corporate Credit Unions and restricted to supervision of highly volatile and risky assets (whether so designated by the rating agencies or not) rather than Corporate Credit Union operations not affected by those activities but highly coveted by natural person credit unions. It appears that the NCUA is seeking unlimited regulatory power over the Corporate Credit Unions that find themselves undercapitalized by the new rules. Further, it appears to us that many of the proposed rules (listed above) are designed to force Corporate Credit Unions into merger and aggregation of assets in order to limit the scope of NCUA's supervision. This apparent direction can only result in lower yields, higher cost of funds and higher operations expenses for natural person credit unions which ultimately increases the risk to the Share Insurance Fund. We are also disturbed by the proposed rule reserving the power to lower a Corporate Credit Union's PCA

category based on criteria other than capital-to-assets ratio. This could lead to the regulator basically controlling the decisions made by Corporate Credit Unions. We recognize there must be regulatory control over the Corporate Credit Union network. We further think that the best decisions are local decisions made by the Corporate Credit Unions, within the established existing and proposed rules ultimately adopted. This, in part, is why we believe that a capital restoration plan should be submitted by all Corporate Credit Unions failing to meet whatever standards are established. Those plans should be evaluated upon their merits within the proposed guidelines adopted. We hope those guidelines are modified with the recommendations we have set forth in this letter.

We appreciate the NCUA providing CDC Federal Credit Union with the opportunity to respond to the new Corporate Credit Union proposals. We trust that these comments will prove helpful in reaching your final conclusions about these proposals.

Sincerely,

Elizabeth P. Mercier
CEO
CDC Federal Credit Union

Walter L. Hobby
CFO
CDC Federal Credit Union