From: Leonard Carleton [lcarleton@comm-choice.coop]
Sent: Thursday, March 26, 2009 3:01 PM
To: _Regulatory Comments
Cc: Robert Bava; officeoftheceo@cuna.mmsend.com; Dave.adams@mcul.org
Subject: Community Choice Credit Union - Comments on Advanced Notice of Proposed Rulemaking for Part 704

Ms. Mary Rupp

Secretary of the Board

National Credit Union Administration

1775 Duke Street

Alexandria, VA 22314-3428

Re: Response to Advance Notice of Proposed Rulemaking ("ANPR") for Corporate Credit Unions

Dear Ms. Rupp:

Community Choice Credit Union ("CCCU"), a natural person credit union ("NPCU"), appreciates the opportunity to comment on the ANPR for Corporate Credit Unions. CCCU is a credit union chartered by the State of Michigan and is a federally insured credit union.

As to the Role of the Corporate Credit Unions ("CCU") in the Credit Union System, CCCU receives significant benefit from the services of our primary CCU, CenCorp, in the form of transaction processing, cash and liquidity management, securities safekeeping, and investment processing. These services are provided efficiently and cost effectively. CCCU maintains its operating cash balances at CenCorp as it is the most efficient and safe place to house these funds when viewed in connection with the transaction processing activities. CCUs are valuable to NPCUs for providing these and other services.

We depend upon the CCU as a source of liquidity should the need arise. As a result of this relationship, it is necessary for the CCU to maintain its safety and soundness under all circumstances. It must have sufficient liquidity to meet the needs of all its members.

In light of the safety and liquidity requirements of the CCU, we view their investment portfolio requirements as we view our own investment portfolio. The primary purpose of the investment portfolio should be to provide safety of principal, secondarily to provide a constant source of liquidity, and thirdly to provide an acceptable yield. A sound investment policy should be based on these principles. It is apparent that U. S. Central did not follow these principles and was most concerned about yield without due consideration for the safety of principal and liquidity.

The CCU system's structure is not the cause of the problem we face today, but the execution of an inadequate investment policy was the cause. Rather than treating the symptoms of the problem, the NCUA should institute a requirement for sound investment policies. We recommend that CCUs be limited to investing in securities backed by the full faith and credit of the United States with a final maturity of five years or less.

The risk to the credit union movement created by inappropriate investments at CCUs is being borne by all credit unions through the NCUSIF. The NCUSIF is self-insurance when viewed in terms of the credit union movement. The NCUSIF

does not have the authority to borrow from the U.S. Treasury while the FDIC does have that authority. The only option if funds are needed at the NCUSIF is to assess the member credit unions. This makes it a “closed loop” system of self insurance. This system has worked well when relatively small individual NPCUs fail, but the current systemic problems are beyond the capacity of the system without a source of outside funding.

When assessments are levied on NPCUs they withdraw the funds from their CCU accounts. This creates a liquidity drain on the CCUs which could lead to an Other Than Temporary Impairment (“OTTI”). In the current situation this OTTI has created a capital deficiency that caused an assessment by NCUSIF. Without the ability to bring funds into the NCUSIF from outside the credit unions, this vicious cycle will continue as more NPCUs will be forced into prompt corrective action for capital inadequacy and lack of liquidity.

We recommend that the NCUSIF obtain the authority to borrow from the U.S. Treasury to fund the current deficit and that credit unions be given a reasonable amount of time to fund the NCUSIF.

Thank you for consideration of our opinions.

On behalf of the Board of Directors and Senior Management of CCCU

Sincerely,

Leonard B. Carleton

SVP & CFO

NOTICE: *This electronic mail message and any content within it are intended exclusively for the individual(s) or entities to which it is addressed. The message, together with any attachments and all other content, may contain confidential and/or privileged information. Any unauthorized review, use, print, save, copy, disclosure or distribution is strictly prohibited. If you have received this message in error, please immediately advise the sender by reply email and delete all copies.* *ver1.1mdt*