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Keystone Federal Credit Union

February 26, 2009

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

Dear Ms. Rupp:

In response to NCUA's Advanced Notice of Proposed Rulemaking (ANPR) and request for comment concerning Corporate Credit Unions, the board and management of Keystone Federal Credit Union respectfully share the following views of your recent actions and proposed plans.

Payment Systems

KFCU relies upon its corporate credit union for payment services in addition to liquidity. If we were forced to obtain those services from two separate sources, it would not only be more challenging and time-consuming to manage the processes, it might very well be more expensive. Additionally, specifying under regulation which services corporate credit unions will be allowed to offer penalizes those corporate credit unions, and their member credit unions, that have managed both investments and payment systems responsibly.

Field of Membership Issues

We believe that it is much more likely that recent economic events and the risks taken by some corporate credit unions have contributed to the crisis within the corporate credit union structure rather than being caused by the easing of field of membership restrictions. Further, a return to regional field of membership would restrict natural person credit unions' abilities to evaluate multiple providers and choose the best "fit" for their individual credit unions. We believe that it would be unwise to restrict a corporate's business decision to offer various products and services through regulation.

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Core Capital

An increase in the required core capital ratio is strongly supported as is the idea of limiting a corporate credit union's services to only those credit unions with membership capital in that corporate.

Risk-Based Capital and Contributed Capital Requirements

Keystone Federal Credit Union supports risk-based capital for corporate credit unions consistent with that required of other federally-regulated financial institutions.

Permissible Investments

Limiting the investment authority of corporate credit unions to that allowed to natural person credit unions would severely limit a corporate credit union's ability to provide competitive rates to their member credit unions and could lead to a reduction in investments in corporate credit unions as their member credit unions seek a better return elsewhere.

Corporate Governance

It seems reasonable that there would be minimum qualifications and training requirements for individuals serving as corporate credit union directors; however, we strongly oppose the concept of compensation for directors as well as the addition of "outside" directors. Both suggestions are at odds with the credit union philosophy of volunteer leadership from within the membership.

Relevant Issues not Specifically Addressed in the ANPR

While recognizing and agreeing that NCUA needed to take action to stabilize the corporate credit union network, we staunchly oppose the actions taken. The assessment of natural person credit unions to return the NCUSIF to its proper level and the impairment of our NCUSIF deposits has serious ramifications for credit unions and the credit union system as a whole. As a result of this decision, many credit unions will experience negative income situations and a decline in their capital positions – this even though they operated their own credit unions in a safe and secure manner. Further, requiring a natural person credit union to fund the shortfall in the NCUSIF serves to force all credit unions to shoulder the burden caused by the actions and decisions made by a select few. The reality is that the economic environment under which all financial institutions are operating is both challenging and complex; alternative sources of funding the NCUSIF such as Temporary Assistance Relief Program (TARP) funds must be considered in the interest of fairness to all concerned.

Respectfully Submitted,

Christine M. Woods, CCUE, CUCE
President/CEO