WEST VIRGINIA
CORPORATE CREDIT UNION
Capitalize On Your Ownership

March 9, 2009

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

Dear Ms. Rupp:

I appreciate the opportunity to provide feedback to the National Credit Union Administration Board on the current proposed rulemaking relating to corporate credit unions.

I appreciate the severity of the predicament and extreme financial stress caused to the National Credit Union Share Insurance Fund from the mortgage crisis, and the resultant impact on asset values. I am appreciative also of the Temporary Share and Liquidity Guaranty programs. I realize that the support offered has allowed for continued operations and transitional opportunities for corporate credit unions.

I will begin with comments of a general nature. I am very concerned that the NCUA Board, in attempting to "fix" the system, will create perverse and unintended consequences for the credit union industry. Attempts to control supervision issues through a regulation that squeezes manageable risks from business operations may result in over-kill, in a literal sense of the phrase.

The circumstances remind me of the story of Tchaikovsky's only violin concerto, written when the composer was suffering from deep depression from a disastrous marriage and divorce. Parts of the concerto were literally considered "unplayable" by even the most accomplished violinists. Please don't let the shock and depression of the current market circumstances lead you to promulgate a regulation that is "unplayable." That is, a regulation that cannot allow for success of a corporate credit union.

In the area of Asset-Liability Management, it has been demonstrated in other comment letters that assumptions made in the preamble to the proposal were not as well thought out as they might have been. I understand that your staff is working with an outside third party to test the proposed restrictions relating to credit spread widening shocks, the resultant impact on Net Economic Value (NEV) and the weighted average life restrictions in the proposal. I believe that it will be very important to the agency that this external testing and the assumptions used by your consultant, pass full scrutiny of the Board.

If credit spread widening shocks and their impact on NEV are to be the limiting tests for cash flow mis-matching in the regulation, I believe that it would be appropriate to target different asset classes with different widening shock requirements to recognize the widely divergent historical price sensitivity of various assets to credit events.

I am also concerned about credit union access to liquidity through corporate credit unions under the proposal. Not all credit unions have the mortgage assets to qualify them for access to the Federal Home Loan Bank system. If corporates are not seen as a fundamental liquidity source for natural person credit unions, a large number of your insured credit unions may be led to purchase mortgage backed securities and FHLB stock to gain access to FHLB borrowing. That might not be considered prudent for many credit unions.

Other commenters have raised points relating to the proposed timing of **capital accumulation.** I believe that current circumstances will make it very difficult to attain the proposed risk weighted requirement in one year. From the announcement of the Corporate Stabilization Plan on January 28th, 2009, the NCUA Board has stated the importance of keeping liquidity in the system to fund the holding of underwater securities. If capital deposits cannot be gained from credit unions under this proposal, most corporate credit unions will be led to shrink their balance sheets as quickly as possible, counter to the stated goals of the stabilization program and the needs of the system.

An additional area of concern is the proposed requirement that any capital deposits placed by one corporate into another would be deducted from the capital of the depositing corporate. This seems to indicate that NCUA would consider any capital deposits in corporates to have a 100% risk weighting, if and when natural person credit unions might fall under a risk-weighted capital system. This view by the proposal is another barrier to corporates in raising capital to support the system balance sheets.

The area of **governance** is one other area where I wish to comment. I understand that the Board would like corporate boards to be more educated and aware of market risks. However I believe that the requirement for each corporate board member to hold a specific title misses the mark. I believe that this can be dealt with in the supervision process and has no reason to be in the regulation. For example, if you back-test this requirement to the corporate credit unions that have had significant losses, what does it show? Would less losses have been realized by these corporates if each of their board members were CEOs?

The term limit restrictions also seem very onerous and challenging for many institutions. The 6-year limit seems too restrictive in a time when the industry has been under such stress. One idea to ease the pressure and provide for more continuity would be to begin the term limit clock to start upon the next election of any board member following the passage of the final rule.

I want to assure you, that my review of your proposal has not been with a review to somehow maintain the status quo. My concern with any new regulation relates to how it will impact natural person credit unions and their ability to obtain the support and services they need to be successful. Corporates, despite the recent crisis, have provided value and opportunity to credit unions of all sizes. I encourage you to be cognizant of the needs of all credit unions, as you craft the final regulation.

I'll close with another reference to the "unplayable" Tchaikovsky violin concerto. A critic who attended the first public performance of the piece stated in his review, "the violin was not played, but beaten black and blue." I wish you the best in crafting a "playable" regulation that will allow for reasonable risk taking and valuable offerings for credit unions.

Respectfully,

Charles E. Thomas, President / CEO
West Virginia Corporate Federal Credit Union