



Kansas Air Guard Credit Union
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~~March 26, 2009~~
March 31, 2009

The Honorable Michael E. Fryzel
Chairman, National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

The Honorable Rodney E. Hood
Vice Chairman, National Credit Union Administration

The Honorable Gigi Hyland
Board Member, National Credit Union Administration

Re: Comments on Advance Notice of Proposed Rulemaking for Part 704

Dear Chairman Fryzel, Vice Chairman Hood, and Board Member Hyland:

The Kansas Air Guard Credit Union appreciates the opportunity to provide comment on NCUA's Advanced Notice of Proposed Rulemaking (ANPR) and Request for Comment regarding the role of the Corporate Credit Union Network and its structure.

The Kansas Air Guard Credit Union is a \$3.5 million credit union, chartered in 1958 and located at Forbes Field, Topeka, Kansas. We serve approximately 550 members of the Kansas Air National Guard. In 2008, we had a return on assets of 1.40%; our net worth ratio is currently 15.33% and our loan/share ratio is 88.8%.

We believe that corporate credit unions provide essential services to natural person credit unions. This is especially true for small to mid-size credit unions, which describes the majority of Kansas credit unions. Using corporate, price-sensitive services allow small credit unions to compete. We consider Kansas Corporate Credit Union as one of our most-valued partners.

The Kansas Air Guard Credit Union uses Kansas Corporate for many services: settlement services (ACH, member military deposits, member civil service deposits, member military retirement deposits, etc.); domestic wires; investments (corporate, bank CDs and marketable securities); liquidity (line of credit for overnight and term borrowings); ALM services; and we have used their Technology Services Group for installation of computer software/systems. As a proactive partner, the Kansas Corporate staff has facilitated planning sessions

for us. A service others provide but at a cost considered irresponsible by our board of directors. We have experienced other vendors, but always return to Kansas Corporate because of the measurable value and mission they bring to the Kansas Air Guard Credit Union. Our partnership with Kansas Corporate guarantees our ability to operate, regardless of asset size.

The corporates have been referred to as a network or system, but they are in fact an individual, democratically controlled cooperative financial institution. Our corporate has its own vision, strategic business plan and investment philosophy and makes every effort to respond to our needs and concerns. Their partnership with others, affords us the luxury of being able to provide valuable services to our military members, at a minimal cost. Those needs would go unnoticed, as experience has taught us, if there was no Kansas Corporate. It would require the resources of our credit union, or force us to capitalize a CUSO to meet that need and I wonder if that is possible for a credit union our size.

Over the past several years Kansas credit unions have battled with our banking competitors over legislation dealing with field of membership restrictions, and we believe strongly that national fields of membership are important in allowing us the opportunity to decide who and where our business partners are. Each corporate can make their own business decision as to whether they want to actively pursue all credit unions or serve restricted areas based upon their own individual business plans. National fields of membership did not create this issue alone and would not have prevented the problems that required NCUA to take the actions they did.

We believe corporate investment powers should be greater than that of natural person credit unions; otherwise their ability to add value to their membership declines. However, proper responsible infrastructure must be in place to support the amount of investment risk each corporate chooses to take based upon their investment philosophy and risk tolerance. Those corporates that choose to take more risk should be subject to additional regulatory supervision and additional capital requirements in order to support the risks taken.

We believe that the two-tier structure should be retained and believe it creates efficiencies. You don't see other sectors within the financial industry, with a similar structure and we view that as positive and something that others would like to have - not as a negative, out-of-date structure or business model that needs to change.

Corporate capital structure should be risk based, in line with other regulators, which should become somewhat of a self-regulatory tool. At-risk capital investments by credit unions in corporates, should count as capital that can be used by corporates.

Corporate board structure should not change. A board of directors, democratically elected by the membership, is consistent with the cooperative charter, and it works. We are against an outside director category as we believe that board members, who are also CEOs of member credit unions, is part of what has made our corporate successful.

While some are upset with corporates, it is also important to remember the critical role that corporates play in the processing and funding of our daily member's activities, and the services they provide to help small credit unions survive and compete in today's markets.

Thank you for the opportunity to provide comment.

Sincerely,

Becky Razak, CU Manager