



FEDERAL CREDIT UNION

6165 Emerald Parkway
Dublin, OH 43016
614-707-4000 • fax 614-707-4195
800-233-6880 • www.bmifcu.org

Mailing Address: P.O. Box 3670
Dublin, Ohio 43016-0340

April 1, 2009

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

Re: Advanced Notice of Proposed Rulemaking to 12 CFR Part 704

Dear Ms. Rupp:

On behalf of the management and Board of BMI Federal Credit Union, I would like to take this opportunity to comment on the recently issued Advance Notice of Proposed Rulemaking (ANPR) to 12 CFR Part 704 on corporate credit unions. Thank you for providing the opportunity for natural person credit unions to express our thoughts and viewpoints in this evaluation process.

BMI Federal Credit Union has \$331 million in assets and 29,000 members. BMI FCU is a multi-occupational credit union serving approximately 300 select employee groups. We are currently members of both Corporate One Federal Credit Union and Members United Federal Credit Union. We use the following services provided by the corporate credit union network:

- Settlement
- Image check processing
- Alliance One ATM network
- ACH origination
- ACH receipt
- Check 21
- International Wires
- Line of Credit
- Investments

In doing our due diligence we have considered multiple providers of the services listed above. When we selected a corporate credit union provider it was done because the services provided by the corporate credit union network enhanced the operational efficiency and profitability of BMI FCU.

The recent events within the corporate credit union network spotlight the weaknesses in the current structure and the need for change in order to maintain a strong corporate network. We appreciate the opportunity to provide our comments to the following issues contained in the ANPR.

The Role of Corporates in the Credit Union System

Settlement is a core function of the corporate network. Settlement is a function that can be performed efficiently by just a few endpoints for the entire credit union system. Payment processing, such as ACH, wire transfers, and ATM/debit processing have been effectively

We make banking personal.

provided by the corporates. These critical services should be allowed to continue. An institution providing settlement services must also be able to provide short-term investing and liquidity. A credit union's settlement account is its overnight, interest-earning account. The corporate credit union should also be able to provide short-term lending to allow credit unions to adjust to monthly or seasonal liquidity flows.

The ANPR asks if a charter should be issued whereby a corporate's authority is strictly limited to operating a payment system, with no authority to engage in other services, such as term or structured investments. A single charter should be sufficient to authorize the corporate to engage in either or both activities. However, we do believe there should be a legal and operational firewall between payment system services and other services. Product costs, the income it generates, and the capital needed to support a product or service should stand on its own and not be subsidized by other areas of the corporate's operation.

Field of Membership

We believe NCUA should retain its decision to allow corporates to have national fields of membership (FOMs). Limiting corporates to state or regional FOMs reduces the ability of the corporate to diversify its membership and could create more problems by limiting membership to natural person credit unions in an area of the country that is experiencing economic distress.

Structure: Two-tiered System

The two-tiered system of a retail network of corporates that provides products and services to natural person credit unions in addition to a single wholesale corporate that exclusively services the retail operations is no longer relevant. The retail corporates can provide those services necessary for natural person credit unions without the redundancy and extra risk of a second tier wholesale corporate. However, we do not believe a specific number of corporates, or an intent to shrink the number of corporates, should be given. The market, and the effectiveness of providing services to their members, will dictate the number of corporates that are necessary to provide the services needed by natural person credit unions.

Corporate Capital

We agree with the agency's efforts in recent years to seek statutory changes that would allow the NCUA to implement a risk-based capital system to bring capital standards for credit unions more in line with other federally insured financial institutions. In the meantime, a corporate credit union should be subject to a minimum 4 percent net worth ratio. We also believe that natural person credit unions should make meaningful PIC investments in a corporate in order to use that corporate's services. A natural person credit union's required PIC investment should be calculated based on the investing credit union's asset size.

Corporate Governance

The ANPR asks for comments on the possible required use of "outside directors" on the boards of corporate credit unions. The representation of natural person credit unions on the board of corporate credit unions is appropriate without the inclusion of individuals from outside the member credit unions.

Additional Comments

While the issue of funding the NCUA Corporate Credit Union Stabilization Plan (NCCUSP) is not part of the ANPR we would like to take this opportunity to include comments on the steps taken by NCUA. We understand the extraordinary situations at U.S. Central Credit Union and at Western Corporate Credit Union were the result of concentration in mortgage-backed securities, the downturn in the market for those securities and liquidity demands within the credit union industry. We are concerned, however, about the remedy taken, its timing, lack of transparency, and the subsequent effect on the credit union industry. The Stabilization Plan, as originally created, put an unfair burden on the shoulders of natural person credit unions. We are encouraged that NCUA is working to obtain legislative approval for a new Stabilization Fund for the corporates. However, we feel the assessment should be spread over seven years, rather than the five years that is currently proposed.

In closing we appreciate the opportunity to comment regarding the future of the corporate system. We need a healthy and strong corporate system to assist us in serving our members.

Sincerely,



Sharon L. Custer
President/CEO

Cc: Chairman Fryzel
Vice Chairman Hood
Board Member Hyland