



April 1, 2009

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

Dear Ms. Rupp:

Thank you for allowing our credit union to respond and comment on the NCUA's Advanced Notice of Proposed Rulemaking for Part 704 (aka ANPR). Bashas' Associates FCU is a single sponsor credit union serving approximately 6,500 members across the state of Arizona. The responses listed in this correspondence represent the views and opinions of the management of Bashas' Associates FCU as we have reviewed and understand the current issues at hand.

**Issue #1      The role of Corporate Credit Unions**

**Payment Systems**

Under the current system, payment services are combined with other services that corporates offer. It is the opinion of this credit union that there not adequate reasons to disturb the current system. In Arizona, credit unions are fortunate to have the option to belong to corporate credit unions that provide sophisticated payment system services that service both the small and large credit unions. It is our fear that if this current system is changed, we as a small credit union will be forced to turn to local banks and possibly pay much higher fees for the services we are currently receiving.

**Liquidity Management**

Liquidity management is a critical service provided by the corporate credit unions. Bashas' Associates FCU supports the continuation of corporate credit unions providing this valuable service. As stated above, it is our fear that if changed, we will be forced to turn to local banks and possibly pay much higher for the services we are



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currently receiving. We do agree that liquidity should be strengthened, but removing the corporate credit union's ability to provide liquidity is not the best course of action.

## **Field of Membership**

The ANPR suggests that the decision to allow a national field of membership for corporate credit unions would result in increased risk to the corporate system. The power to determine which corporate credit union to invest in should rest solely within the hands of natural person credit unions. Credit Unions are aware of the amount of risk they are able to absorb and can choose corporate credit unions that fit their needs. To place this type of restriction would destroy the ability to compete and limit investment choices.

## **Investment Authority**

We do not believe that it was the expanded investment authority of the corporate credit unions that lead to U.S. Central's losses. If a corporate credit union is adequately capitalized, there is no reason to limit its investment. To minimize credit risks in the corporate system a risk based capital requirement could be implemented. Our credit union manages risk each day as we make loans directly to consumers who are more sensitive to economic conditions. Therefore, I feel it should be left up to the corporate credit unions to manage their own risk.

## **Structure: Two-tiered system**

We cannot see the advantage in moving to a one-tier system. We do not believe this will "fix" the current credit crisis. The wholesale corporate credit union and retail corporates each serve a valuable service in their own realm. We would not object however, to the centralization of technology under U.S. Central.

## **Issue #2      Corporate Capital**

### **Core Capital/Membership Capital/Risk-based Capital**

We agree that NCUA should revise its approach to corporate credit unions and capital requirements. Corporate credit unions need to raise additional capital and look to other methods to raise capital. We agree that NCUA should consider the implementation of a risk-based capital requirement to monitor, control, and mitigate credit risk.



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knowledge and background to provide us with products at reasonable cost in order to meet our member's needs. A strong, diverse corporate system promotes a strong network of natural person credit unions beneath it. If the current system were dismantled it would adversely affect not only the corporate network but also the natural person credit unions and their members.

We will continue to monitor this proposal and look to our regulators and League President for updates.

Sincerely,

Gloria J. Mundy  
Treasurer/ CEO  
Bashas' Associates Federal Credit Union