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CORE plus
Federal Credit Union
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April 3, 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 CorePlus 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.

We appreciate the NCUA providing credit unions the opportunity to express our thoughts and viewpoints as a part of this evaluative process.

CorePlus Federal Credit Union is $193 million in assets and has over 21500 members. Our Credit Union is a community based credit union serving New London and Windham Counties here in Connecticut.

Our comments relative to each of the appropriate sections of the ANPR are as follows.

1. **Role of Corporate in the Credit Union System**

   Payment systems – Corporate Credit Unions have proven to be invaluable in providing natural person Credit Unions with access to national payment systems. It is essential that these avenues of member service be continued. Now, having said that, we do agree that redundancies do exist and therefore a consolidation (or regionalization) of certain corporates may be appropriate to realize economies of scale and enhance efficiencies.

   Liquidity and liquidity management – As many small Natural Person Credit Union's lack the abilities and capabilities of obtaining, utilizing, and managing their short term liquidity needs access to the Corporate System, as it now exist is, is essential. Providing Liquidity to credit unions and assisting in managing daily funding requirements should be a core service of the corporate system. Qualifying for membership in the Federal Home Loan Bank or accessing lines of credit through non credit union facilities is not practical for many credit unions. An effective and efficient corporate system comprised of member owned and member governed natural person credit unions continues to be one of "the answers" for keeping the cooperative credit union movement alive and prosperous.

Field of membership issues – There should be no restrictions placed upon the field of membership of Corporate Credit Unions. The determination as to whether or not a particular corporate has the ability, products, services, or pricing required to attract and maintain the membership of natural person credit unions rest with those same natural person credit unions as owners/investors in a particular corporate. While redundancies of services do exist, and while we believe regionalization may be in order, we also believe that the directives to consolidate or regionalize ought to be derived from the member/owners of individual corporates and result from their ability to choose which corporate they will do business with. Rather than considering the restriction of fields of membership, it may be more appropriate to consider required capitalization and restricting "associate memberships".

Expanded investment authority – Expanded investment authority "has its place". While We believe that the results of previously authorized expanded authority may be at the heart of today's problems we also believe that managed wisely and prudently it can be an effective means of returning value to members. Naturally, the risk, as in the present day, may outweigh the rewards. Therefore, additional capitalization requirements might need to be considered for those corporate with expanded authority and for those natural person credit unions willing to participate in (and with) a corporate following an expanded authority path.

Structure; two-tiered system – Aggregation of services was, in part, an essential aspect and justification for maintaining a two tiered system. If regional or existing corporates can demonstrate the ability to provide services without a need for the "second tier" than U.S. Central should be dissolved.

2. Corporate Capital

Core capital –Systems or analytics to determine capital requirements as commensurate with risk ought to be used to determine the level of core capital required by an individual corporate. Corporate Boards and management necessarily need to manage risk in proportion to capital on hand. If Boards choose to take on additional risk then the associated capital requirements will need to obtained and maintained.

Membership capital – Membership Capital should be required in proportion to the service levels and risk/reward desired from the Corporate of their choosing. Participation in multiple corporates will require multiple capital contributions that may vary dependent upon services obtained. In other words, if a natural person credit union encourages and chooses to have "their corporate" pursue additional risk opportunities then it would follow that their membership capital requirement may increase proportionately.

Risk-based capital and contributed capital requirements – See previous comments

3. Permissible Investments

We do not believe there is any reason to restrict or change what investments may be currently deemed permissible for corporate credit unions. We do expect, however, that corporate Boards and Management will operate within an established infrastructure of policy and rules and, further, that Regulators will exercise oversight commensurate with the level of risk within each corporate. Naturally, it also follows that the intellectual capital of each corporate management team ought to be present and "certifiable" commensurate with each corporate level of investment authority.

4. Credit Risk Management

"Ratings" of individual investments are not the only determination that should be considered prior to purchase. A variety of analytics ought to be considered and assessed and documented accordingly. The risk tolerance level established by a Board of Directors ought to be adhered to in the most stringent manner and the requirements associated with that acceptable level of risk ought to detail the requirements for acceptable purchase. Such detail should include the assemblage of multiple ratings, stress testing, and the like. Coincidental to ongoing credit risk management should also be ongoing training for corporate staff, ALCO members, and officials. Reporting as to the qualifications and ongoing training requirements for all of the aforementioned should be reported to the membership on a regular basis so that members electing to invest in a particular corporate (according to their risk tolerance) may be assured that proper skill sets are in place.

5. Asset Liability Management

Corporate Credit Unions should be expected to utilize a wide variety of modeling and forecasting tools as is appropriate to their portfolio including net income modeling, stress testing, cash flow analytics etc. Regulators should review and recommend and require appropriate tools as they deem necessary but, conversely, should not discourage or ignore other analytics justifiably used by any particular corporate.

6. Corporate Governance

Corporate Credit Unions are, first and foremost, credit unions! That is to say that they are member owned financial cooperatives that should also be member driven. This member driven aspect reflects our belief that the Board of Directors and Committee members of a corporate ought to be made up of representatives from natural person credit unions that are fully vested members (capitalized appropriately) in the corporate.

Corporate Boards ought not to be comprised of "outsiders" but rather ought to be comprised of qualified representatives of member/owners. The question as to whether or not a member/owner representative is "qualified" should be measured against a set of "model standards" developed by Boards of Directors with the advice and counsel (or even direction) of NCUA. The standards established should reflect the complexity and risk tolerances of a particular corporate and also detail the ongoing and regular training requirements associated with service as a member of a Board or Committee. Focus on continued training and qualification enhancement is essential.

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Transparency of management compensation is a function of an individual Board as it chooses to respond to its members. Executive compensation may vary greatly, as it does in natural person credit unions, and is also associated with the complexity and size of a particular organization. Blanket requirements to require transparency are not relevant to the success of the corporate system as a whole.

Board Compensation, in light of training and presumed knowledge requirements should always be transparent! In other words, we do not believe it would be inappropriate to offer compensation for service to Corporate Credit Unions. We believe there is sufficient and adequate talent within the core group of participating natural person credit unions such that corporate credit unions might be served well and wisely but, as this service is ancillary to the work (usually speaking of CEO's) at their home credit unions' adequate compensation and remuneration might be in order.

Thank you again for the opportunity to comment. We appreciate knowing that our concerns and opinions are being heard.

Sincerely,

Warren P. Scholl

Warren P. Scholl
President/CEO