Westby Co-op Credit Union
April 3, 2009

Value of the Corporate System

Payment System:
We use Corporate for services such as ACH debits and credits, image deposit capture, wires, cash letters, source for foreign currency, credit card settlements, member tax deposits, savings bond purchase and redemption, CMO and borrowing. We also use Corporate for ALM advice, structuring and investments. We could also go with the Federal Reserve as well for ACH, image deposit capture and wires. With this avenue we would be dealing with the Chicago Fed. Corporate provide us with excellent help in check deposit adjustments with Federal Reserve and the staff take care of many of the details. If we were told tomorrow that there would be one Corporate that would handle everything our position would be it wouldn't be much different than going through the Fed. This would bring up a concern then about their service. It seems the bigger they are the more the service lacks. With question on how this would the transition be going from Corporate to Chicago, would it hinder the way we service our members, it is believed that the members would not notice the transition.

Liquidity and Liquidity Management:
They are good with specials and we are given options. Our investment portfolio is not run though Corporate. If our Corporate could handle the investments we were looking at and provide guidance and ability to purchase agencies there is a concern we would loose quite a bit of the return. Looking at items like safe keeping charges you get what you pay for. From a liquidity standpoint they are not offering investment services as others.

Field of Membership:
The Corporates compete against each other so they seem to be cutting each others throats. What we want is competition. Basically they are there for liquidity and not long term so they have to price some of their services to meet that.

Expanded investment authority:
Our Corporate does not have this. Is this truly valuable and if the Corporates have the expanded ability should it require additional capital requirements? If it is permitted, you need to adjust capital or retained earnings accordingly.

Two Tiered System:
Additionally we have the issues of State and Federally Chartered Corporates. There is no doubt that it keeps us from being taxed. The state examiners do not seemed to be more seasoned than the NCUA examiners. They are examined by the same people we are, but

they have NCUA exams and CPA firms that look at them as well. This is an additional expense. There is a feeling of division between corporates, but that may be because they are competing against each other. Being a state charter are they running them with more regulations then the federally chartered? We feel there is value in dual chartering.

Capital Positions:
Core capital is defined as returned earnings plus paid in capital and does not take into the consideration of membership. Has over leveraging been part of the problem of core capital and were they investing beyond the risk. If they had a 1% increase in core capital would this have made a difference right now? We really do not have the balance sheet knowledge of all the corporates to be able to say what we feel it should be. The core was at 4% without the paid in capital. Did this serve our corporate well? It did help them to survive this, but is it the answer for everyone?

Membership Capital:
An estimate on our membership capital is $1.6 million. We have nothing in paid in capital at this time. Our patronage refund is based on the volume of activity we do with the corporate and has nothing to do with capital. Corporate Credit Unions core capital requirement is proposed to be 4% by the end of 2010. Future core capital requirements of 6%. Corporate Central wants 4 to 6 Super Corporates, this is how FHLB runs. FHLB are talking about mergers. Currently there are 12 and with the banks and credit unions they are serving, are talking about bring them down to 4 or 6.

Risk Base Capital:
FHLB uses assets and Corporate uses deposits and assets. Is risk base a viable option? Regulate risk base capital in a manner consistent with other federally regulated financial institutions. We don't have a problem with this.

Permissible Investments:
Should NCUA limit corporate credit union investment authorities to those allowed for natural person credit unions? Should certain categories be prohibited from specific investments? There are sub-prime mortgages performing, Alt A mortgages performing and just saying they are not going to do that is pretty broad. If there could be guidance in due diligence in some of these products they may be further ahead. These are products that are part of the industry. If you eliminate some, something new and different will come up. Due diligence on a product is more important than saying no we can't do that or yes we can do that. Some oversight guidance should be in place so if you are going to invest in those types there must be some compensation. We need risk assessment and due diligence on all of our products. Maybe they should do the same thing. NCUA could provide oversight guidance.

Credit Risk Management:
There should be more than one rating for each investment. This again is not doing due diligence. Mortgages are required to have three credit reports. Is there any value in the ratings?

Asset Liability Management:
We are required to NEV, NII and NI analysis on a monthly basis and we share it with our board. This was a requirement by the examiners to address it in our policy. It is felt like they should all have to do this.

Corporate Governance:
We show executive compensation and corporates should have to file a 990. Corporates are becoming more sophisticated and you need the expertise. They should be compensated but should be required to submit a resume and provide past experience. You need a little of each on a board and not all CEO's. An adequate cross section for a corporate with specific seats on the board should be considered. May need to look at term limits as this is a good balance and check.

Summary:

The corporate system is very important to the natural person credit union system. While most all of the products and services we obtain from Corporate Central Credit Union would be available through other sources, we do recognize the value of having a single source of product expertise for our credit union. Every bit as important as the collection of products and services is the service that is provided with them. We have been very fortunate to work with a strong and cooperative sales and service force for many years with Corporate Central Credit Union.

As the number of natural person credit unions decreases, we recognize that greater efficiencies can and should be realized in a reduction in the number of corporate credit unions. In this process, however, we cannot necessarily just look to the banking industry for guidance. Doing so would do a tremendous disservice to the large number of small credit unions who have not peers in the banking industry. Neglecting small credit unions by initiating a plan to reduce the number of corporates to five or less would only lead to greater contraction of the credit union movement.

We believe in the corporate system and the products and services it provides. Natural person credit unions are unique by definition. Each has a field of membership which the corporate system serves very well. We believe that over regulation without regard for the service necessary to meet our member's needs would be counter productive for our industry's survival. Safety and soundness for corporates as well as natural person credit unions must survive any form of corporate re-organization. Oversight and due diligence will be key.