



April 6, 2009

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

Dear Ms. Rupp:

I am writing on behalf of Metro Health Services FCU in Omaha, NE. We are a \$150 million credit union. The impairment of the NCUSIF and NCUA premium assessment will cost our Credit Union \$1.2 million. In addition, we have \$640,000 at risk in MCS within the CCU System.

Given the magnitude of losses in CCUs and the risks presented to the entire Credit Union Industry, we believe we have compelling evidence that our current Corporate System is fundamentally and fatally flawed. Simply put, there isn't enough total capital in all natural person credit unions to permit the type of investments that led to losses in CCUs.

Before asking ourselves the questions in the ANPR about how CCUs should be structured in the future and what their investment authority should be, we should be asking if CCUs provide an essential service that cannot be procured elsewhere in the market. In our opinion, all services provided by CCUs are available through other institutions which are not insured by the NCUSIF. For that reason, there is no justification to subject natural person credit unions to risk of loss from to CCU operations.

There are numerous articles where trade associations, regulators, and consultants opine about the strength and "capital of the credit union system". With all due respect, they are looking at it wrong; the "credit union system" has no capital. The capital they are referring to is collectively owned by the individual members of individual credit unions.

As a credit union manager, I can tell you that during this recession many members will receive or not receive services based on the level of capital in their credit union. We believe the NCUA Board has an obligation to the individual credit union member to protect that capital by severely restricting the size and scope of CCUs, if they are permitted to exist at all.

At least initially, credit union leaders placed too much emphasis on the absence of a trading market for the CCU securities in explaining the losses. Not enough emphasis was given to the fact that the losses we are paying for today are credit losses. If we permit ourselves to blame the outside economic environment for the losses, we risk failing to make the necessary changes that will prevent any future investment decisions in CCUs to negatively affect the earnings or capital of natural person credit unions.

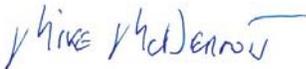
Our biggest fear after reading the scope of issues in the ANPR is that the NCUA could get so caught up in the minutia of secondary issues that it loses sight of the primary problem; CCUs are too big to take on any risk at all while being insured by the NCUSIF. If CCUs continue to be insured by the NCUSIF, thereby passing the risk of loss to natural person credit unions, then they must be limited to making investments in government backed securities without taking on either credit risk or interest rate risk.

If CCUs cannot operate profitably without taking on risk of loss that will ultimately be passed on to natural person credit unions, then they don't need to be there. As an industry, we cannot afford, and should not be required to accept, risk from any component of the industry that is not essential to our basic mission.

Somewhere along the way, many in our industry have lost sight of why we're here. The entire Credit Union Industry exists solely to provide service to individual members. And, there is no one group wholly responsible for the current state of affairs threatening the continued delivery of that service. Clearly, individual credit unions failed to diversify. Clearly, CCUs had bad business models and made poor investment decisions. And clearly, the NCUA failed to provide adequate regulatory supervision and oversight (I have some thoughts about trade associations too, but we'll save that for another forum). The only group in our industry without fault in this debacle is the member, and they are the ones who will ultimately be paying the bill, and the ones we are supposed to be here to serve in the first place.

As the NCUA considers the ANPR and the future of CCUs, we simply request the Board prohibit any future activities by CCUs that could ultimately result in losses that will be passed on to our members. Once those changes are made, we have no further opinion about how CCUs are structured. If CCUs offer quality products and services that are competitively priced, we will use them. If they don't, we won't; we can get them elsewhere.

Sincerely,

A handwritten signature in blue ink that reads "Mike McDermott". The signature is written in a cursive style with a horizontal line extending from the end.

Mike McDermott, President
Metro Health Services Federal Credit Union