

Mr. Gregg Stockdale, President of 1st Valley Credit Union in San Bernardino, CA, provided the following comments on the corporate rule in three separate emails.

1. In his first email, dated December 17, 2009, Mr. Stockdale stated the following:

I have read the entire proposal and I can't help but wonder; why is it so complex? Why are corporates allowed to take credit risk with what should be strictly a liquidity center? Why all the convoluted programs and processes? What was so bad about the investments allowed prior to the "expanded list" that requires a complete revamp? Is it not possible to go back to the prior program and just limit the concentration risk, extension risk, and default risk? I have a MBA, a BA in Management and a minor in economics, but quite frankly, I find it very difficult to comprehend all the nuances of the new regulation and get my head around the entire process that was put forth. I doubt that anyone other than those with a finance major and more than a few years on Wall Street would be able to work out all the intricacies of this regulation. The corporates were never that complex in the past, and I doubt that many credit unions will be willing to support a system that they cannot understand. I don't see any significant level of credit risk reduction that would lead me to reinvest in a corporate cu in the new proposal. With the wrong CEO at the helm, there will be a non-stop attempt to circumvent any of these new proposals and with the limited oversight provided by NCUA, there is bound to be another meltdown. We on the west coast have witnessed the subterfuge, and wanton power grab that can overtake organizations even as strong as WesCorp once was. We are, as are many others, actively looking to eliminate or significantly limit our exposure to the corporate system. We would not support any corporate under the new proposal.

There is fast becoming a breaking point in credit union land. There are many credit unions that hold to the original philosophy of credit unions and member service. There are also many other cu's that have given that up for the Banking Approach. Those that follow the second approach are operating outside the risk levels that the NCUSIF was founded and funded for. Those bank-like cu's are putting the entire system at risk. I cannot for the life of me understand why you are beseeching Congress to expand our risk taking ability when we have not even seen what the price will be for the current debacles of the corporates and the failures from loan losses. If anything, you should be working to assist those organizations that want to pursue the banking approach to give up their credit union charter and become a bank or other FI. I recently attended a Raddon Financial Group meeting where one very large cu announced to all that "We are operating as a bank.. I don't understand the cu model... we are a bank". This has got to stop.

My credit union can eliminate or reduce our direct losses from bad lending, our future losses of capital accounts at our corporate, but we cannot eliminate the NCUSIF losses that arise from the massive mismanagement of corporates or the excessive risk-taking

of banks that hide behind the mask of a credit union. I implore you on behalf of my members to be more aggressive in limiting the latter two.

Thank you for your time and consideration.

2. *In his second email, dated December 22, 2009, Mr Stockdale stated:*

Chairman Matz, you stated that investment services became a predominant aspect of the corporate credit union business. While it became that in the past, I do not believe that it was necessary or needs to be so in the future. When we were as small as \$19M in assets, I moved all my investments away from our Corporate because of concentration risk. Many chose not to leave because it was "easy" and, regrettably, even encouraged by NCUA. That was to the peril of everyone... even us who moved. While the Corporates are looking at billions in losses, my small \$15 million portfolio is marked to market at a very nice positive number with no losses in sight. I bought structure and stayed within the investments authorized. I believe that there is no place for credit risk with funds invested by corporates unless and only unless NCUA and the NCUSIF clearly states the funds are non-insured and unlike last time, you stick to that. There was a moral risk created by bailing out uninsured deposits. WesCorp would not have been given the amounts they had under management if credit unions thought the funds were either uninsured or at least guaranteed with regards to principle. And, frankly, you stated that there was enough blame to go around, but I don't see any of the blame that should have been bore by NCUA being addressed in the new regulation except by sheer weight.

My members demand a return OF principle, and I demand a return of principle on the funds I invest for my members. Your new proposal does not guarantee that, so I'll never put any significant amount at risk there.... ever.

My initial response to the first comment period, prior to your current proposal, addressed the Corporates providing liquidity only. I proposed that cu's putting liquid funds at their corporate have an unlimited share guarantee (the current "daily" account). The corporate would reinvest a portion of those funds for short terms for a marginal profit, much like we do with our prime share account. There is lots of activity here, but the total balance stays fairly stable. The cu's that did not have the sophistication to set up their own investments could also buy through their corporate guaranteed funds (not corporate but outside agencies) in a ladder for a small fee.

A credit union that has the sophistication to offer expanded MBL, as you just proposed, should have the ability to manage their own investments. The only reason for allowing the corporate to handle those investments would be for additional expertise and/or for pooling of risk... their risk, not the NCUSIF, not my members. The back-door technique to obtain insurance coverage does not appear to be addressed in your proposal. The NCUSIF still covers credit risk taking and that will at some future point blow up in

everyone's face again. Your office has a 500+ page rewrite of corporates, yet there are no new proposals regarding MBL, which everyone knows is as risky (but at least it's not leveraged many times over) as what we are currently paying for.

I have to wonder why, when the amount of losses is not yet even known, we are embarking on additional risk taking without additional offsetting restraints or at least higher capital requirements? Are we to wait until this too blows up, to address these risks? My members who didn't take excessive investment risk are paying for that... now they will be paying for bank-like credit unions that take on excessive and unrestrained additional MBL risk taking. I think we can all see this coming.

Thank you for allowing me to share my opinion and ideas. I am fearful that we have irreversibly damaged cu's with the corporate debacle. **Adding MBL at this time, in this economy, and in this manner, will probably be the last nail in the coffin of what once was the credit union industry.**

3. *In his third email, dated January 7, 2010, Mr. Stockdale stated:*

I attended WesCorp's town hall meeting on January 5th to hear what they had to say regarding the NCUA's proposal. I actually read the entire proposal and have commented to Chairman Matz that it's simply too complex for credit union officials to understand and get behind. During the presentation, the new Chief Investment Officer admitted he was confused about some of the regulation. If he's in charge of operating under the program and he can't understand it... what chance does a credit union have or it's volunteer board?

I asked WesCorp if they went back to the operation model prior to when they were granted the expanded powers of investing would they be able to operate and received an unsatisfactory answer. Apparently there is now no official corporate memory prior to the Conservatorship.

Even so, I have to ask NCUA why a lengthy and complex proposal is being proposed when the corporates were profitable (and those that did not take on expanded powers of investing apparently continue to be so, except for the cost of the bail out) under the old program? And, more importantly to my credit union, **why in the world am I being charged for losses caused by expanded investing when I didn't fund them for WesCorp nor did I do any investing at WesCorp that should have profited from those powers?**

I am very much against the new regulation as proposed.

I would like to see the old corporate model reinstated in some modified form as appropriate. Not just squashed down to become "too regulated to succeed".

I wish I could find a charter for my members that protected them against the perils of the Corporates and the new MBL that is soon to be the next debacle, but becoming a bank is not an option. So I'm left with writing endless letters trying to persuade NCUA to not kill the entire industry, and apparently to become embroiled in numerous and continuous legal action to protect my membership.

I would hope that Chairman Matz would put out another proposal for comment that is less draconian and more understandable than the current proposal rather than just tweaking this proposal in a minor way. I would ask that she also reconsider MBL, but that train has left the depot and appears to be full steam ahead, fully supported by everyone and anyone that will profit from the program and yet, miraculously, won't be out a dime if it fails. Just my members! Gee thanks!