This email has to do with the changes in the Corporate Federal Credit Union Regulation 704.

My first concern is, do these changes to Regulation 704 make the Corporate FCU's and the member credit unions less competitive with the banks and other financial institutions? It seems to me that with the changes in this regulation, NCUA is trying to micro manage the Corporate Credit Union industry. If that is what your doing please reconsider.

In 704.3(a) (2) the regulation states that the first call report on or after [Date 36 months after date of publication of the final rule in the Federal Register] a corporate credit union must calculate and report to NCUA the ratio of its retained earnings to its moving daily average net assets. If the ratio is less than 0.45 percent, the corporate credit union must, within 30 days, submit a retained earnings accumulated plan to the NCUA for NCUA approval. What do you think the interest rates will be over the next 10 years? NCUA should be concentrating on the total capital risk ratio. Are we going to be competitive with the banks?

In the 704.3(b) (3) regulation you talk about NCA & PCC contributed capital accounts. Why would any credit union want to make a five year investment with their Corporate? We had a three year investment and guess what, we had to write off $400,000.00 this year and probably the balance, $100,000.00 in 2010 (within 1 year and 3 months).

I believe that some credit unions may switch their processing to a bank before they recapitalize the Corporates for a 5 year term. You should change the three year term to a two year if you want to protect our members' money. This would put the corporates in a position to manage their Corporate properly or risk losing their membership capital.

We will write off $500,000.00 of Membership Capital and still have to build our insurance fund and nobody got fired at the Corporate. Why not? Can you trust those Corporates who take no responsibility for losing our capital investments and reducing our credit union insurance fund?

There is no reason for a Corporate to have more than 8% Total Risk Base Capital. You need to review the losses corporate credit unions had and what percentage of capital was lost in dollars.

A Corporate having $1,000,000.00 in assets x 8% = $80,000,000.00.

Ask the question one more time. What happened to cause this huge capital loss? The Congress and Regulators did not do their job.

In 704.6(d) (ii) Sector Concentration limits
When you're setting Concentration limits are you talking about limits on all capital or just risk and Leverage Ratio Capital?

704.11 Corporate Credit Union Service Organization
I believe that Corporates should be allowed to provide any service to member credit unions which will improve the efficiency and bottom line of the credit union. We have had ATM/Debit card processing, Brokerage services, and Investment services with a Corporate. We are currently looking at electronic documents through Corporate One Federal Credit Union which would improve our efficiency, bottom line, and disaster recovery.

Credit unions have worked with Corporates for more that 30 years and we have saved hundreds of thousands of dollars in processing costs. I don't want to have my processing done through a private CUSO who doesn't care diddley squat about our credit union.

CUSO's help Corporates make the non-interest income to stay in business when rates are low to increase their capital.

Is 15% of capital enough for Corporates who need to borrow funds? How much money would the Corporate need to borrow if the Corporate was successful and more and more credit unions wanted to use your services? Is 15% of the capital enough? Are you talking about all capital or just Leverage Ratio Capital?

704.14(a) (3) Board Representation
Six years is not enough time for an individual to serve on a Corporate Board. I believe that the total number of years should be either 3-3 year terms or 4-3 year terms.

704.14(a) (9) I disagree with allowing individuals who are non-credit unions to serve on the Corporate Board of Directors. This is a credit union movement. Other individuals would not have the member credit unions as their main concern. They would be concerned with making money and control.

Please remember the credit union industry needs to be competitive with the banking industry.

Ronald J. Budzinski
President/CEO
First Trust Credit Union