COMMENT LETTER ON PROPOSED CHANGES TO NCUA REGULATION 704

Corporate Credit Unions have caused a lot of heartache to their Member credit unions, in the last two years. The losses sustain, by these corporates to their members, has caused some credit unions to go under/merge and some to develop a restructuring plan. This is not fair to the natural person credit unions, and the owners of these corporates. The accounting methods, in which some Corporates have taken, pertaining to the natural person credit union's capital was not correct and caused additional unnecessary losses, just so, these Corporates can show retain earnings a capital ratio. This has caused a lot of distrust of our own corporate for they did not think about the Member (owners)! This has to due with the PIC and MCA percentage taken by US Central in 2008 and 2009, when losses actually occurred. They created a high reputation risk on their part for their action taken! The attitude is all wrong on behalf of these Corporates, for the accounts of the PIC and MCA account is to help Corporates maintain strong capital, but not to look at it as "well it is available for losses" wrong attitude! Safety and soundness is important not sloppy mismanagement of fund knowing the accounts are available for the taking!

Comments on Capital:

The capital requirements of a corporate should be based on their retain earnings only, pertaining to Investments and lending risk! Credit Unions do not want to invest into a corporate at this time due to additional losses corporates will be taking. This is creating additional potential losses to natural person credit unions at this time. Our corporate is giving us until June 30, 2010 to invest into this so called "Perpetual Contributed Capital (PCC) account or a Non-perpetual Capital Account (NCA)". Natural Person credit unions would be foolish to invest into the PCC account at this time, so now that leaves the NCA account to be taken. Why, because some corporates have dissolved all of there retain earnings, PIC and a percentage of MCA accounts. These corporates are also showing unrealized losses on their books.

We have to agree with NCUA on the propose change to the capital structure and ratio requirements. The higher capital percentage requirement is good when it pertains to risk and potential losses. The "phase in retain earnings requirement" is a generous consideration on the part of the proposal! Have to agree due to the current economic environment. Also we have to agree with the "Prompt corrective action" in this proposal.

INVESTMENTS:

Investments for a Corporate are like loans given to Members of a natural person credit union; the potential risk is always there. The corporates should start placing funds into an Allowance for Investment Losses account. As credit unions do for loans. The percentage requirement should be based on a one or a two-year ratio, or to the current market value, to be viewed on a quarterly base. This account would be for risk Investment only, such as, Asset Back securities, CMO etc. This account should have been created when Corporates first came into existence. This is something NCUA should consider to be added to the regulation.

We have to agree with the proposal on adding restrictions to additional investment type. We do not want to repeat this crises again!

Asset Liability Management requirements are very important to any financial institution, and yes, we have to agree with NCUA proposal requirements. The rule on this matter can be critic as we move forward. We do not want history to repeat itself in this matter!

CORPORATE GOVERNANCE:

The qualifications for Board candidates should be restricted to candidates with the financial background ability to understand and question all aspects of a corporate. The titles of a board member in which NCUA is proposing should include Manager or Treasurer, but clarify their position as the CEO. The term limit should be longer then 6 consecutive years. Maybe NCUA should consider 8 consecutive years, due to a new board member adjusting to the position.

The overall proposal from just reading the "Comparison Chart: Corporate Credit Union Regulations" provided by the PA Association. We feel that the regulation is required and on the right path to strengthening our Corporates and minimizing future potential risk.

Natural Person Credit Unions have been affected by this meltdown and it is not up to the natural Persons Credit Union to continue to bail out corporates. Maybe NCUA should look at merging Corporates into Corporates by region. Maybe Corporates should also look at paying their own debts back, for they are the reason for losses in which Natural Person Credit Unions have incurred. By first, paying back their Members FOR THE CAPITAL LOSS TO OUR ACCOUNTS, ONCE THEIR CAPITAL BEGINS TO REBUILD, PERSENTAGES SHOULD BE TAKEN AND GIVEN BACK OR SIMPLY BORROW THE FUNDS TO PAY IT BACK. Their income in which they received is based on services in which we pay and this amount is substantial and their net income per month is higher then a natural persons credit unions. Most of the income is coming from small to mid size credit unions and if we decide to leave and give our service to someone else this would decrease their income and eventually go under. Reputation risk is very important to any corporate and Members should come first in their minds.

Expenses should be kept to a minimum and the elaborate spending must STOP! Cut back on unnecessary staff, temporary, until this economic crisis is over, and then look at restructuring their office. Some corporates should look at eliminating branches, for they are not needed. With Cash Concentration available and remote deposits available, this should help natural person credit unions with getting funds to their corporates. The only problem is their cost is to high, for the banks offer less and is willing to work with the credit union on cutting cost! Shame when it should be our own Corporate!

WEST PENN P&P FEDERAL CREDIT UNION
Helen Marinkovic, CEO