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

Dear Members of the Board,

I would like to comment on some of the proposed revisions to Part 704. My comments represent over 20 years of experience in the credit union industry, the last 8 years as the president of a small credit union (under $25 million in assets).

Proposed Section 704.3 – Corporate Credit Union Capital

While I agree that we need to strengthen the capital position of corporate credit unions, I do not believe it is realistic nor does it promote safety and soundness to require corporate credit unions to bring their capital and retained earnings to levels that are higher than what they were prior to the market dislocation in such a short period of time. It took many of these corporate credit unions more than 20 or 30 years to reach the capital levels they had prior to 2009. The proposal ties one arm behind the corporate credit unions back and requires them to produce results that are not realistic based on the current investment environment.

Putting these requirements on the corporate credit unions will force them to reduce margins that are already extremely low to even lower levels. It will also force them to increase service fees to natural person credit unions. This seems to be counterproductive as natural person credit unions are trying to improve their net income after taking a significant hit in 2009. Exposing natural person credit unions to additional income pressures on top of the annual costs they will be facing over the next several years due to NCUA's Corporate Stabilization will make an already difficult task almost impossible.

If it is NCUA's intention to force mergers in the corporate credit union system then this proposal should do the trick. Even if NCUA should be responsible for determining what is the right number of corporate credit unions, which I don't believe they should (that is what a free market is for), their actions will also put many small to medium-sized credit unions out of business.

I believe instead, NCUA should work with corporate credit unions to minimize future risks and to safely and soundly improve their current capital positions on a more reasonable time table.

Proposed Section 704.14 – Corporate Governance

Limiting the corporate board eligibility to member CEOs, CFOs or COOS for a maximum six-year period seems to be counterproductive. I agree that term limits can be a good thing. However, my experience as a board member of Missouri Credit Union Association is that the first two years are a learning process. A six-year term limit means board members would only be most productive for four years. I would rather see board members be limited to serving a maximum of four terms (or nine years) whichever is less. This would insure that the corporate credit unions are being lead by credit union professionals that have a clear understanding of how their corporate credit union operates. A knowledgeable, experienced board leading a corporate credit union would seem to better promote safety and soundness than a board with less experience.

Also placing limits on paying legal or other professional costs of IAPs incurred in proceedings instituted by the NCUA or state regulator would make it very difficult to find volunteers to serve on the board since volunteers aren't paid anything for their serve. NCUA needs to be careful in trying to apply bank regulator guidelines to the credit union model.

I would like to thank you for taking the time to read my comments. I hope you will consider each of them carefully before making a final decision.

Sincerely,

Brian Eyestone, CCUE
President