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Charlotte S. Ayers
President / CEO

February 19, 2010

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

Re: Proposed Regulation 12 CFR Part 704

Dear Ms. Rupp:

It is our understanding that the NCUA Board has drafted a significant proposed regulation, which is directed at the nation's corporate credit unions. This letter represents Georgia's Own Credit Union's response to the agency's request for comment.

We applaud the NCUA for action it has taken to provide stability and liquidity to the corporate credit union system and are supportive of regulatory reform. However, we feel that these efforts cannot be effective unless they are accompanied by large-scale corporate consolidation and fundamental business model reform. The industry needs a wholesale system in order to effectively capitalize on common opportunities and address common problems. Neither the corporates nor other industry leaders have been able to bring about the needed change, even in the face this unprecedented crisis. Therefore, we encourage the agency to take a proactive, even prescriptive, approach while engaging corporates to effect the needed change.

Georgia's Own supports nearly all of the agency's objectives as defined in *Section II. Summary of Current Rule and Proposed Changes*. However, we believe that the proposed regulation in its current form undermines many of the NCUA's stated objectives, may ultimately lead to the demise of the corporate system in any form, and would significantly harm the nation's credit unions. Specifically, the proposed regulation:

- Results in key products becoming unattractive and/or infeasible.
- Is overly restrictive, not allowing for a viable corporate business model.
- Makes it infeasible for a corporate to attract and retain qualified volunteers and senior staff.

- Harmfully restricts how credit unions cooperate to address common challenges and opportunities.
- Grants such extraordinary powers and discretion to the regulator that full compliance with the written regulation is not necessarily enough to be considered in compliance by the regulator.

The proposed regulation results in key products becoming unattractive and/or infeasible.

Several provisions of the proposed regulation will cause some corporate products to be unattractive or infeasible, driving credit union activity to other providers, enriching our competitors, and harming the viability of our corporate.

Proposed 12 CFR 704.8 (c) – Penalty for early withdrawals on corporate certificates

Georgia's Own Credit Union has benefited from enhanced yields on our excess funds placed with our corporate credit unions, but we do not see why the credit union would not be able to obtain a premium on certificate redemption if it has liquidity needs. If this proposed change remains in its current form, the credit union will have to seriously consider putting its longer-term investable funds elsewhere in liquid instruments which do not penalize early redemptions. The overwhelming majority of credit unions will likely make the same choice, which will effectively mean the end of corporate certificates as a competitive investment option. This will not be of any benefit to Georgia's Own, our corporate credit unions, or the credit union movement as a whole. Since corporates already have the authority to limit or prohibit redemptions as needed, it is our recommendation that this proposal be removed.

Proposed 12 CFR 704.8 (h) – Weighted average asset life

Georgia's Own looks to its corporate credit unions as liquidity providers for both short term and intermediate term purposes. It is our understanding that the limitations placed on asset maturities or average life limitations may severely impact the credit union's ability to obtain term liquidity needed. This means that Georgia's Own will ultimately have to look elsewhere for this service. Georgia's Own strongly opposes having to join the Federal Home Loan Bank (FHLB) and place capital with the FHLB, or having to rely upon bank competitors, which would be significantly more costly and provide for uncertain availability of liquidity. Georgia's Own also strongly opposes using a bank for expensive funding. Unfortunately, if the proposed regulation is implemented in its current form, this may be the credit union's only choice.

Proposed 12 CFR 704.6 (c) & (d) – Concentration limits

Under the current proposals for concentration limits, the corporate credit unions will be severely challenged to invest short-term liquidity at reasonable rates. This will have the effect of reducing the overnight rates Georgia's Own receives from its corporate credit unions. Unfortunately, this will have a detrimental effect on the credit union and its members. It is absolutely critical that a number of revisions are made to this portion of the proposed regulation: The definition of deposits in 704.6 (d) should be changed to include Federal Funds, or include Federal Funds transactions in the exemption from sector concentration limits. Section 704.6 (c) should be changed to allow a larger single obligor limit of 200% of capital on money market transactions with a term of 90-days or less. In the alternative, a secondary solution might be to specifically allow a single obligor limit of 200% of capital for Federal Funds transactions sold to other depository institutions.

The proposed regulation is overly restrictive, not allowing for a viable corporate business model.

In addition to the problems cited above, other aspects of the proposed regulation would harm the viability of the corporate and deny its members the benefit of its services.

Proposed 12 CFR 704.8 (d), (e) & (f) – NEV sensitivity analyses

We have seen a number of analyses that show that the proposed limitations placed upon a corporate credit union through various NEV tests do not allow a corporate credit union to generate sufficient interest margin to build retained earnings to meet NCUA's proposed capital requirements. If enacted as currently proposed, this will ultimately lead to a combination of increased fees being charged to Georgia's Own and forced expense reductions that will adversely impact the level of service and support that this credit union needs and depends upon daily. The proposed regulation should be amended to allow for corporate credit unions to make sufficient income from the balance sheet to grow and invest in innovation for the benefit of all its member credit unions, while exercising an acceptable level of credit and interest rate risk.

Proposed 12 CFR 704.8 (k) – Overall limit on business generated from individual credit unions

Georgia's Own generally understands why a limit should be placed on the aggregate investment in corporate credit union(s), which come from an individual credit union. That being said, the current limit of 10% may force a corporate into short-term borrowings with less favorable terms regarding price, maturity and collateral. It may also be damaging to the corporates' earnings. This most certainly will force corporates to maintain larger cash balances, which would likely be detrimental to earnings. Georgia's Own is concerned that this proposal may limit the corporate credit unions ability to provide reasonably priced short-term liquidity. Additionally, the proposed regulation and the overall limit on business generated from an individual credit union will force Georgia's Own to seek services from competitors at a higher cost and lower return to the credit union.

It is critical that the proposed regulation be amended to allow borrowings with a maturity of 30 days or less, from either the Federal Reserve Bank, a Federal Home Loan Bank, a Repurchase Agreement counterpart or a Federal Funds counterpart, in excess of 10% of the corporate credit union's moving daily average net assets, by eliminating the "or other entity" part of the proposed regulation. In the alternative, it would be prudent to consider allowing a higher borrowing limit of as much as 20% of the corporate's moving daily average net assets from these entities.

The proposed regulation makes it infeasible for a corporate to attract and retain qualified volunteers and senior staff.

We understand that NCUA's objective is to improve governance and leadership of corporates. However, provisions of the proposed regulation undermine this objective at best, and more likely make it infeasible to attract and retain qualified and valuable board members, committee members, and senior staff.

Proposed 12 CFR 704.14 (a) (3) – Six year term limits for directors

Under the current proposal, 6 year term limits for directors will be imposed effective when the final rule is released. The proposed rule also requires directors who will have served for 6 years to be replaced at the end of their current term. Additionally, the proposed rule does not allow for a representative from the

same natural person credit union to serve as a director if the 6 year term limit is exceeded by another person from the same credit union. The proposed rule severely undermines the development and retention of qualified directors for corporate credit unions. In the short-term, this new provision will force corporate credit unions to replace a majority of board members when their current term expires. As a larger credit union and a major corporate credit union depositor, Georgia's Own is concerned about the loss of transparency between the credit union and its corporate credit unions and the restrictions the proposed rule places on the ability for Georgia's Own's officers to serve on corporate credit union boards. Further, a 6 year term is also shorter than the average business cycle. If the current rule is enacted in its current form, corporate credit unions would lose the benefit of retaining directors who have experience in leading the organization through a complete business cycle. Georgia's Own strongly urges that the six year term limit be removed from the proposed rule.

Proposed 12 CFR 704.19 – Disclosure of executive and director compensation

Due to the size and complexity of some corporate credit unions, it is understandable why a corporate may need numerous vice presidents to operate effectively. Georgia's Own understands that the salaries of "senior executives" should be available to its members, but only "senior executives". It would be prudent to define a "senior executive" as any officer reporting directly to the Chief Executive Officer and exclude vice presidents not reporting to the CEO. This reporting function would be parallel with current practices within other financial institution sectors. The proposed regulation may make it very difficult to recruit externally from experienced and qualified individuals from non-credit union financial institutions where the title of "vice president" does not denote a "senior executive" level individual. The rule should address disclosure of executive and director compensation for the President and CEO, the principal financial officer and the three most highly compensated executive officers. It would be prudent to revise the rule to accommodate these concerns. This would allow corporate credit unions to remain competitive, and to attract and retain the caliber of persons necessary to manage the aggregated risk in the corporate credit union system.

Proposed 12 CFR 704.20 – Limitations on indemnification payments

The addition of the above section to the proposed rule imposes what appears to be unlimited personal and professional liability risk for corporate credit union directors and management with respect to the decisions that are made in carrying out their official responsibilities. As a result, it will be difficult, if not impossible, to maintain volunteers or management without indemnification for actions taken in good faith, while performing their professional responsibilities and duties. Qualified and knowledgeable directors and management are crucial for a corporate credit union to succeed. Georgia's Own strongly urges that the proposed rule be amended to continue to allow corporate credit unions to provide, at their discretion, indemnification coverage for directors and management while performing their respective obligations and duties.

The proposed regulation harmfully restricts how credit unions cooperate to address common challenges and opportunities.

We understand that the proposed rule attempts to limit the range of services a corporate CUSO may engage in to limit risk. However, the proposed rule severely limits those activities a corporate CUSO may engage in, and we believe this unnecessarily stifles how the credit union movement cooperates to address common challenges and opportunities.

We believe that the rule, as proposed, limits permissible corporate CUSO activities to only brokerage services, investment advisory services, and other categories of services approved in writing by NCUA. Payment services, one of the most important services corporate credit unions provide to natural person credit unions is not on the list of proposed permissible activities. As such, Georgia's Own requests a more concise definition as to what will be permissible in the final rule. Georgia's Own is concerned that, in its current form, the proposed rule will make it extremely difficult for the corporate credit unions to find qualified CUSO partners with whom to offer credit unions the competitive products and services they need. It is understandable that third-party service providers, in which a corporate credit union wanted to be a minority partner, would not allow the NCUA free access to books, records, software and operations. Allowing NCUA access to such information most certainly would have the effect of many third party service providers forcing corporate credit unions out of the partnership.

Furthermore, as the products Georgia's Own's members demand continue to evolve; the expense of producing those products becomes prohibitive. Many natural person credit unions are creating CUSOs to help produce innovative products at a minimum cost. Often we rely on our corporate credit unions to join that CUSO, because they bring considerable expertise that is not available to most credit unions. Any changes, such as the full access to operations, which may prohibit our corporate credit unions from joining such CUSOs, will obviously be a detriment to our future abilities. Further, forcing corporate credit unions to deduct capital, for ratio purposes, which has been invested in CUSO activities stifles the willingness of corporate credit unions to add value to important CUSO activities. These changes should be limited to a more practical and realistic status where, for example, a corporate credit union has the controlling interest in the CUSO. Finally, corporate CUSO activities were not part of the root-cause of the problem, which the proposed rule attempts to remedy. As such, substantial leeway should be allowed in the rule related to the range of CUSO activities in which a corporate credit union may participate. Participation in a broader range of CUSO related activities ultimately adds value to the overall credit union movement.

The proposed regulation grants such extraordinary powers and discretion to the regulator that full compliance with the written regulation is not necessarily enough to be considered in compliance by the regulator.

We understand that there is a need for increased regulatory guidance for corporate credit unions, due to the circumstance which brought the corporate credit union to its current state. However, the broad powers given to NCUA in the proposed regulation should be more narrowly tailored and clearly defined in the final rule.

Proposed 12 CFR 704.4 – Prompt Corrective Action

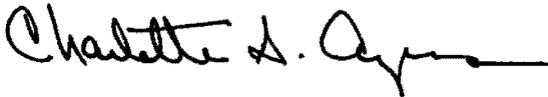
The proposed rule gives the NCUA the equivalent of unbridled regulatory power for “remedial actions towards undercapitalized, significantly undercapitalized, and critically undercapitalized corporate credit unions”. Further, NCUA, in the proposed rule, reserves the power to lower a corporate credit union's PCA category based on criteria other than capital-to-assets ratio. Coupled with other factors such as NCUA being able to decide what CUSO activities are permissible for a corporate credit union, limits on indemnification, etc.; NCUA basically has provided itself with open-door access to controlling the decisions made by corporate credit unions. Clearly there is need for NCUA to maintain a level of regulatory control over the corporate credit union system. That being said, we believe that this regulatory power should be coupled with the corporate credit union system to make decisions, within risk guidelines,

as to how to best provide services to its natural person credit union members. To that point, we believe that the flexibility of the prior rule should be maintained requiring corporate to submit a capital plan and requiring NCUA to submit a capital directive. We believe that the circumstances of each specific instance should guide the contents of the plans and any corresponding regulatory actions. If the NCUA needs the power to conserve a corporate credit union, we strongly believe that power should be isolated in the Federal Credit Union Act.

Summation

We hope that these comments on the proposed rule are sufficient to prompt you to consider these proposals in the ways indicated. It is obvious that you have put an enormous amount of thought and time into a proposed rule, which is aimed at adding stability and longevity to the corporate credit union system. It is also apparent that the NCUA has taken many measures to date to provide liquidity and stability to the corporate system. That being said, the proposed rule, as currently written, will ultimately lead to further destabilization of the corporate credit union system. The subsequent trickle-down effect will harm the vast majority of natural person credit unions, which make up the heart of the credit union movement. For the above reasons, we strongly urge you to consider making changes to the proposed rule. Only through meaningful change to the proposed rule will corporate credit unions be able to maintain viable business models that allow them to continue providing numerous services and benefits to the natural person credit unions, including Georgia's Own Credit Union.

Sincerely,



Charlotte S. Ayers
President and Chief Executive Officer
Georgia's Own Credit Union