February 19, 2010

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

RE: Proposed Regulation 12 CFR Part 704

Dear Ms. Rupp:

We are writing to comment on the proposed regulation referenced above in regards to corporate credit union restructuring. We are a small credit union of 2500 members and 17 million dollars in assets. We currently rely on Wescorp for our draft processing services and Southwest Corporate for our ACH, settlement and liquidity services.

We believe in the corporate system and as previously stated rely on them for correspondent services mentioned. We strongly believe that corporate credit unions are necessary for small to mid-size credit unions in order for us to continue to provide services to our memberships. Cost effective alternatives do not exist at this time but the proposed regulation may drive corporate credit unions to no longer be a cost effective source of our needed services.

Capital Requirements:

It would appear that the capital requirements being recommended are too strict and the time frame to reach said requirements too short. We vehemently object to NCUA's comment that "corporates have the ability to raise fees to achieve retained earnings requirements." Have the natural credit unions not paid enough to date for this situation? How much more does the NCUA think we can afford to pay? We are still looking at multiple years of premiums to repay the stabilization fund as well as recapitalization of the corporate system. Enough is enough on the expense to natural person credit unions. **Increased fees are not an option for quick capital**.

We would ask that the capital requirement timeline be set at a more reasonable level of possibly 3 to 5 years. As far as prompt corrective action goes we believe that they should be subject to it in the same manner as natural person credit unions.

Recapitalization:

It would appear that the new regulation would put recapitalization deposits at risk of loss in the short term from so called legacy assets. The new capital deposits need to be protected from the continuing potential losses from current assets (non-agency mortgage-backed securities) that are still not producing. Natural person credit unions cannot afford to lose a second round of capital with no chance of return if the market makes a recovery. We appreciate the rumors that NCUA is working on a solution to this issue and that we should assume that new capital deposits will be protected from these potential losses. We all know what happens when you ASSUME something. Protection needs to be in writing as part of any new regulation.

Capital deposits are a show of support to our corporate credit unions but this support has been nearly if not totally depleted once. It cannot be allowed to happen a second time. How would the credit union industry look to the public if we told them that the credit union has had some losses and so your $25.00 membership deposit with us is now gone and oh by the way if you want to remain a member you need to put in another $25.00 and oh by the way it is not safe because we still have some potential losses and may take your $25.00 and second time.

Recapitalization needs to be safe harbored from legacy losses.

Business Model:

The corporate system of yester year should be revisited. Twenty plus years ago their purpose was to provide correspondent services to credit unions that were not of sufficient size to work directly with the Federal Reserve. There was not the competition factor to entice members and investments as there has been in recent years and because of this basic purpose corporates did not take on large amounts of risky investments. The competition and risky investment practices have in our opinion caused the downfall of this system.

We would recommend that the NCUA investigate the option of forced mergers between the healthiest of the corporate credit unions to reduce the number and increase the economy of scale so that they can get back to their original mission of providing basic correspondent services to the credit unions. The consolidation should allow for continued services at reasonable rates.

There are many technical portions of the regulation that we will not comment on as we do no feel that we have the expertise to make solid recommendations. We will defer to the experts on these sections.

Sincerely,

LANECO FEDERAL CREDIT UNION

Loreen A. Ervin
Manager/CEO