



National Credit Union Administration  
Attn: Mary Rupp, Secretary of the Board  
1775 Duke Street  
Alexandria, Va. 22314-3428

Dear Secretary,

This letter is in reference to Proposed Regulation 12, CFR Part 704. Mercy Credit Union a small credit union located in Miami, Florida. We agree that the Corporate Credit Union system needs changes to avoid the excesses of the past recent history. It is extremely important that these changes do not lead to the demise of all the Corporate Credit Unions. Small credit unions need the lines of credit, settlement loans, demand loan, item processing, automated clearing house, funds transfer and other vendor settlement services provided by our corporate, Southeast Corporate Federal Credit Union. I can not overstate the importance of the co-operative relationship that Southeast Corporate provides small credit unions to continue to provide financial service alternatives to credit union members.

I will not be presumptuous to offer specific changes to the proposed regulation changes. I do not have a sufficient data available to me to do so. I have read and been involved in discussions regarding some of the proposed changes that I believe will have a negative impact on member credit unions.

A Corporate should be allowed to isolate new-member capital from potential future impairment losses from legacy assets. The new capital has had nothing to do with the past issues.

A Corporate should be allowed to maintain a retained earnings deficit, at least for a period of time until this economic disaster is somewhat absorbed by the economy.

A Corporate should be allowed to restore depleted capital if the projected losses ultimately overstate the actual losses on the legacy assets. These legacy assets if held at the Corporate have the potential to have a greater value than currently estimated. Point being not all assets acquired by the old RTC, lost as much as originally projected.

# MCU

Revisit and possibly revise the asset liability risk management constraints to allow the potential of higher corporate earnings. The extremely limited long and short-term liquidity options and the percentages and fewer competitive investment options will limit the ability of the corporate to continue operations. Yes the concentration of a single type of investment did bring about this current problem but being excessively constrictive is also a recipe for disaster.

The new regulations for capital leverage ratio requirements should have sufficient length of time to be met that will not cause early prompt corrective action to be ordered. Corporate CUSOs have provided a service to member credit unions. The possible interruption of suspension could cause a problem for member credit unions. Permissible CUSOs should be the same in both part 704 and 712 with a longer phase in period.

There is much blame to go around for this negative credit union disaster. The greed of some management individuals in the industry who made business decisions that benefited themselves more than the industry. The NCUA for not using the already extensive rules and regulations to see the trends, the concentration of investments and poor management decisions that should have been detected on the call reports or examination visits. The word cooperation has been replaced with the word competition within the credit union industry.

Sincerely,



Joseph A. Lanteigne  
President, Mercy Credit Union