New Hampshire Postal
CREDIT UNION

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February 19, 2010

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

Re: Proposed Regulations 12 CFR Part 704

Dear Ms. Rupp:

Thank you for the opportunity to provide comment on the Proposed Rule 12 CFR Part 704. We believe the regulation as drafted by the NCUA Board will have a significant negative impact on our industry. Although some of the changes seem appropriate, we consider other aspects of the proposed changes to be detrimental to both corporate credit unions and to natural person credit unions.
We believe the proposed regulations go to far, will hamper capital accumulation and drain liquidity from corporate credit unions. Consequently, corporate credit unions will be unable to provide cost effective non-core products and services to member credit unions.

These are some of our concerns:

Complexity and Scope of Proposed Regulations
The complexity and scope of the of the proposed regulation are overly restrictive and unrealistic. Corporate credit unions, working under such oppressive legislation, will be unable to develop a business model designed to meet the needs of its members and the requirements of the regulations. It seems clear that the proposed regulation will eventually force some corporate credit unions to seek mergers, resulting in fewer and larger corporate credit unions.

Capital Requirement Phase-In
The one year time period to attain the risk-based capital ratio is a significant concern since this will require corporate credit unions to bring in new capital. Currently, corporate credit unions lack significant retained earnings. As such, they will need to ask member credit unions to contribute roughly 4% of their deposits as perpetual capital within 12 months of the final rule. In light of recent losses, many credit unions will be unwilling to participate. The rush to achieve a 4% Leverage Ration via perpetual paid in capital may lead natural person credit unions to pull deposits which would result in severe liquidity concerns for corporate credit unions. Moving the time period to three years to reach the Leverage Ratio would provide adequate time for corporate credit unions to build retained earnings.

NEV Sensitivity Analyses
The new regulation is structured to reduce risk exposure and require adequate capitalization of corporate credit unions. However, it appears that the proposed limitations placed on corporate credit unions through various Net Economic Value (NEV) tests will not allow them to generate sufficient interest margin to build capital and retained earnings to meet proposed levels. An unintended consequence would be that corporate credit unions would be forced to raise fees on their members to compensate for the loss of income. We would recommend that this section be revised to include more pragmatic and less restrictive testing requirements.

Governance and Board Limits
The proposed regulation would limit members from serving on the board for more than six years. Term limits will only act to destabilize the board and guarantee the loss of well trained and experienced volunteers. Corporate credit unions should be left to determine the appropriate tenure.

We believe healthy corporate credit unions are an important part of our industry. The proposed over-reaching government regulation will serve to further weaken corporate credit unions and hinder natural person credit unions.

Finally, we would urge you to amend the proposed regulation in its current form. We urge you to present corporate credit unions with legislation intended not to regulate them out of business, but to provide them an opportunity to succeed.

Thank you for your consideration.

Sincerely,

William Milner

William Milner
President/CEO
NH Postal Credit Union