From:	Alan Butler
To:	_Regulatory Comments
Subject:	ncua corporate reg
Date:	Tuesday, February 23, 2010 12:04:35 PM

Paducah Federal
A Community Credit Union
P.O. Box 426 • Paducah, KY 42002

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

Re: Proposed Corporate Credit Union Regulation 704

Dear Ms. Rupp:
First of all I would like to thank you for the opportunity of commenting on the proposed changes to Regulation 704 pertaining to corporate credit unions. Paducah Federal Credit Union is a community credit union serving four counties in far west Kentucky with 16,500 members and $170 million in assets. We have been active members of Kentucky Corporate Federal Credit Union since 1982 and in fact I am currently serving as a board member.

While we understand and agree with most of the changes this proposal addresses, there are a couple of areas that we believe are not in the best interest of the corporate system and in turn not beneficial to the members of Paducah Federal.

Number one is 704.2 Definitions – Available to cover losses that exceed retained earnings. Obviously we understand the absolute necessity of a well capitalized corporate system, but if the estimated losses do not materialize the reasoning that our members' money is still lost is a bitter pill to swallow. We believe that NCUA has the authority and the responsibility to address the issue in a far more equitable manner.

Number two is 704.3 corporate credit union capital. We are well aware of the importance that our corporate reach an adequate level of capital as soon as possible. However the 12 month time framed outlined in the regulation for the "leverage ratio" is over the top. We believe a 36 month time frame for this ratio as well as the Tier 1 risk-based capital ratio is fairer and attainable. Speaking as a director, I believe this to be the most critical element of the proposed regulation. Kentucky Corporate has formulated plans to reach the required ratios, but in fairness to their members, need an opportunity to prove that these plans are sound and workable before approaching anyone for additional capital.

Number three is 704.8(k) Deposit Concentrations. In states such as Kentucky with a limited number of credit unions, this restriction could severely hamper a corporate's access to access the deposit it need to remain viable. It is obvious that most corporate balance sheets will have to shrink in order to meet the new capital requirements. The rate reductions that will drive this downturn will be sufficient incentive for credit unions to limit their deposits in a corporate without having to address this in a regulation.

Number four is the problem with the non performing assets still on the books. There is nothing in the proposed regulation on how these will be handled. If there is no clear indication of how this problem is to be resolved, it will be almost impossible to convince credit unions to put more money at risk with any type of capital infusion. We believe that the regulation should be clear in stating that future capital paid into the corporate system will not be used to cover these losses.

We do understand the need and importance for a new regulation and in the most part agree with the changes outlined. However if items listed above are a real concern and will have a large impact on our decisions concerning participation in the corporate network going forward.

We appreciate the opportunity afforded to us to comment on Regulation 704 and thank you for your willingness to hear our thoughts.

Alan Butler, President
Paducah Federal Credit Union
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