



CABRILLO CREDIT UNION

Sharp Division • Carlsbad City Division

February 24, 2010

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

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Dear Ms. Rupp,

The Corporate System was created to provide a source of liquidity for natural person credit unions. Through the years, this evolved into a system that provides competitive returns on investments. It also evolved into a system that provides products and services to its members that many could not provide themselves. The system allowed credit unions to stop relying on commercial banks for item processing, and other services and clearly demonstrated the cooperative nature of our industry. During an economic meltdown such as we are experiencing today, it is easy to react by imposing strict regulations. It is my fear, however, that these regulations will ultimately destroy and eliminate the corporate system.

Here are my comments:

704.8 (c) Penalty for early withdrawals on corporate certificates

Credit Unions benefit from higher yields on certificates in Corporate's with the understanding that they do not pay a premium for early redemption. If this proposed change stays in, CUs will have to seriously consider putting longer-term investable funds elsewhere in liquid instruments that do not penalize early redemptions, which will effectively mean the end of corporate certificates as a competitive investing option. That will not be good for the system as a whole. This proposal should be removed

704.8 (d), (e) & (f) NEV Sensitivity Analyses

Under the best circumstances, Corporate's operate on a very small spread in order to offer competitive rates to their members. The proposed limitations through NEV tests will not allow the corporate to generate the margins necessary to build capital and meet the needs of their members. While NEV testing is imperative, Corporate's should be allowed to make sufficient income to operate and serve their members. If enacted, Corporate's would be forced to charge additional fees to their member credit unions at a time when credit unions cannot

afford additional operational costs. Please revise this section to allow more flexibility.

704.6 (c) and (d) Concentration limits

Under the current proposals for concentration limits, Corporate's will be severely challenged to invest short-term liquidity at reasonable rates. This will have the effect of reducing the overnight rates my credit union receives from our corporate especially at this time. I urge you to make a number of revisions: Please change the definition of deposits in 704.6 (d) to include Federal Funds, or include Federal Funds transactions in the exemption from sector concentration limits. Also, please change 704.6 (c) to allow a larger single obligor limit of 200% of capital on money market transactions with a term of 90-days or less. An alternative solution might be to specifically allow a single obligor limit of 200% of capital for Federal Funds transactions sold to other depository institutions.

Thank you for your consideration.

Regards,

Robin Lentz, CEO
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