

From: [Regulatory Comments](#)
To: [Jordan, Sheron Y](#)
Subject: FW: Comment on Proposed Corporate Credit Union Legislation
Date: Thursday, February 25, 2010 9:38:03 AM

From: Doug Wadsworth [mailto:Doug@Tri-CitiesCU.com]
Sent: Wednesday, February 17, 2010 5:50 PM
To: _OIG Mail; _OGC Mail; _PACA Mail
Subject: Comment on Proposed Corporate Credit Union Legislation

Please forward this as appropriate, thank you.

To Whom It May Concern at the NCUA,

I recognize there is an urge to make violent and extreme modifications to Corporate Credit Union regulations after the recent and ongoing costs of failure - to not only my own credit union but to taxpayers in general in some cases. I recognize it is tempting to "prove" to the public that you are making serious changes to prevent such losses from happening in the future.

I urge restraint. I propose it is better to spend years of careful research before making changes that may drastically alter the business model that my Corporate Credit Union has used. Yes, my credit union has lost nearly \$100,000 in MCA charge-offs from SouthWest Corporate, but please do not damage the ability of my Corporate Credit Union to continue to serve our needs by making rash and extreme regulatory changes that may hinder their future viability and health.

From my perspective some simple "asset concentration" oversight by the NCUA would have prevented the whole mess in the beginning (IE: making sure they didn't have too many mortgage backed security eggs in their one basket)- and I urge the NCUA to pay increased attention to these such issues, rather than legislating lists of new laws and regulations that will bog down Corporate and Natural Person Credit Unions for the foreseeable future. I am worried the NCUA is on a slide of "legislating" credit unions to extinction.

I understand you are planning to possibly impose a cash flow mismatch limitation that would match the cash flows of a corporate credit union's assets and liabilities so closely that SouthWest Corporate Credit Union would be unable to generate sufficient earnings, and the sustainability of any future corporate business model would be questionable. Unless this rule is modified, Southwest Corporate does not think they will be able to comply with the retained earnings requirements that are also included in the proposal.

Likewise, I understand you plan to isolate new member-contributed capital from possible future losses arising from the existing mortgage-backed securities (i.e., legacy assets) that are owned by corporate credit unions like Southwest Corporate. Southwest Corporate believes the isolation of the legacy assets is a necessity in order to facilitate corporate credit union recapitalization. Although you recently stated you are working on a legacy asset solution and that credit unions should assume a solution will be implemented, Southwest Corporate is concerned about the timing between the implementation of the yet unknown legacy asset solution and corporate credit union recapitalization.

I am discouraged with the sharp increase in NCUA examiner staffing. When times get tough I feel we must all tighten our belts and *re-allocate* our effort to the areas which most need them. Doubling the size of the examiner force (at a time when the number of credit unions is shrinking drastically) seems irresponsible. "Drastic Times Requiring Drastic Measures" should not be an excuse to drastically increase spending while also thus drastically increasing the costs to Natural Person Credit Unions like me - at a time when we need to be so

much more cost sensitive to expenses. There are many credit unions which are healthy and well capitalized and well managed – why not re-allocate NCUA resources and examine them every other year – thus freeing up examiners to give more attention to the troubled ones? This would prevent the need to double the examiner force, and keep the cost low. Likewise I am concerned that NCUA examiners may spend much of their time on a minutiae of microscopic policy issues that have little effect on urgent issues such as healthy assets and expense management. Re-allocation of what examiners spend their time examining seems like a much more appropriate response during such drastic times, and that action is also consistent with budget restraints that should exist within the government.

Finally, I am pleased you are making changes to streamline the ability of credit unions to expand their charters to include larger communities based on certain specific requirements. I underwent this process last year – and it took approximately 8 months and included an exhaustive amount of paperwork. Thank you for making positive changes to reduce the burden and obstacles to helping Natural Person credit unions grow and serve a larger number of members within obvious community boundaries.

Thank you,

Doug Wadsworth

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