

✓

# SUNFLOWER

U.P. FEDERAL CREDIT UNION

822 Broadway, P. O. Box 190  
Marysville, KS 66508  
Phone: 785-562-3741 FAX: 785-562-3439  
[www.supfcu.com](http://www.supfcu.com)

February 26, 2010

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

Ref: Proposed Regulation 12 CFR Part 704

Dear Ms. Rupp:

I appreciate the opportunity to provide input to the NCUA Board regarding our Corporate Network by commenting on the proposed regulations. I have not before commented on any regulation but I feel strongly that changes made need to balance safety & soundness with practical business operations.

It was made very evident that corporate & natural person credit unions are all "joined at the hip"! The actions of a few cooperate credit unions have caused a ripple effect to every natural person credit union. I believe some of the proposed changes would leave some natural person credit unions searching for other vendors to fill the services they used to rely on their corporate for.

#### 704.8(e) (1)(i) Credit Spread Widening

Why the 300 basis points spread widening? We've been told that historical analysis indicates that 100 basis points would be a highly unusual event. I would suggest that the spread widening test be limited to 100 basis points and distinguish credit risk between privately owned floating rate assets and government owed/backed floating rate assets. I believe the spread widening test should be less severe than if the asset was a non-agency mortgage backed security.

#### Ability/timeframe to meet Leverage Ratio

If today's current interest rate environment were to persist the periodic benchmarks for retained earnings portion of the leverage ratio may be unrealistic. It will be especially difficult when most corporates are starting from zero retained earnings due to the depletion of their capital investments at U.S. Central. I would recommend that additional time be allowed to achieve these periodic benchmarks for the retained earnings portion of the leverage ration. I would recommend that the benchmark for the retained earnings portion of the leverage ratio go into effect three years after the implementation. This would allow a corporate time to build the level of retained earnings expected.

### 704.3 (d)(3) Standards for determination of appropriate minimal capital requirements

Under the proposed regulation, the OCCU Director can arbitrarily increase the capital required for a corporate; can unilaterally require that certain capital accounts be discounted and not included in applicable capital ratios; unilaterally change the capital category of a corporate; and lower a corporate's capital designation if only one of the many CRIC categories are rated a 3 or lower. Why write a 254 page regulation with capital standards and benchmarks and yet give massive latitude to basically ignore the requirements to one individual? This gives too much power to one individual. At the very least the NCUA board should have to approve any type of decision regarding the change of a corporate credit union's capital designation.

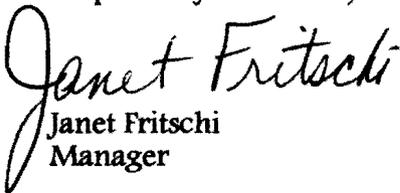
### 704.14 Board Representation

As a manager of a natural person credit union, I know first hand how long it takes to bring a new director up to speed. It takes some time to thoroughly understand the operation of a credit union. I would assume the operation of a corporate credit union is similar but even more complex. At six consecutive years of service an individual is in his/her prime as a director. I feel that a term limit of nine consecutive years would allow for the learning period, the confidence building and the true leadership that each corporate needs.

In closing I would like to emphasize that this proposed regulation needs to be modified or natural person credit unions will most likely face increased costs, fewer competitive investment options and lower rates on deposits.

I thank you for the opportunity to comment on this proposal. Natural person credit unions need their corporate to be rebuilt without the overcorrection that I believe this proposed regulation creates.

Respectfully submitted,

  
Janet Fritschi  
Manager

692