eCO Credit Union
EDUCATORS COMMUNITY CREDIT UNION
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February 26, 2010

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

Dear Ms. Rupp:

My name is Joey Hand. I am the CEO of eCO Credit Union and currently serve on the Alabama Credit Union Administration Advisory Board and the Board of Directors for Corporate America Credit Union. I'd like to thank you for this opportunity to communicate my concern to the NCUA Board regarding the proposed corporate credit union regulation.

This proposed regulation may prevent credit unions from choosing the corporate credit union they want to do business within their entirety. To suggest that a credit union can only invest a limited amount of funds with one corporate credit union, intrudes on that coexistence. If a credit union can only invest so much with a corporate paying the highest dividends, then why would a credit union want to invest in another corporate? This could lead to money leaving the corporate network and into banks. Also, had this proposed regulation been in place before all of the US Central issues, credit unions would most likely have been subjected to invest with corporates that are writing off their members' capital.

Amendment to part 704 related to corporate governance gives too much control to the regulating body as currently written. Corporate Board of Directors are elected and if someone was more qualified or feels they could do a better job, they can run for the seat. Dismissing someone from the board just because of a term limit, then requiring the corporate to search for an equal or more qualified, dedicated nominee is not a guarantee. By having elections, we allow the more qualified, eager nominee to be considered and elected if the true owners believe he/she can do a better job. The NCUA should not dictate the term of a Director.

While reading the proposed regulation, I keep arriving at the conclusion that a majority of these regulations exercise control more so than truly protecting natural person credit unions (NPCU). I believe the spotlight of the proposed regulation needs to focus solely on investments and capital.

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This brings me to a section of proposed regulations that I feel are dangerous and inconsistent. Just to name a few sections in the proposed regulation:

704.3(d)(4)(v) Increase Individual Capital Requirements
This will allow the Director of OCCU to increase the capital requirement for a single corporate. In addition, this section states "this decision represents final agency actions" which appears to eliminate all accountability for his/her decisions.

704.3(e)(3) Disallowing Capital from Inclusion in Ratios
This section would give undue power to the Director of OCCU. Why should a NCUA examiner be granted the authority to decide whether or not a capital account can be included in the ratios that so much emphasis has been placed?

704.4(d)(3) Lowering the Capital Category
The regulation is giving the Director of OCCU the power to arbitrarily change the capital category of a corporate credit union. If the capital categories are established, why should any NCUA employee be given the authority to amend the guidelines established?

704.4(d)(3)(ii) Lowering the Capital Category based on Ratings
Either enact a regulation stating that if a CRIS category is rated a three or worse, the corporate's capital category will be lowered or remove this section of the proposed regulation. Why leave it up to a NCUA employee to have discretions over whether or not to lower the capital category?

704.4(d)(4) Lowering the Capital Category for Good Cause
This section gives the Director of OCCU power to lower a capital category for a single corporate credit union. This would open the window to potential abuse of authority.

With the aforementioned items, I believe the regulation is written in a manner to group financially sound corporates with problem corporates. However, the regulation seeks to address corporates on an individual basis. Additionally, the language seems to give unprecedented power to the Director of OCCU to reduce the capital category of any corporate at any time he/she so deems. Once the capital category is lowered, section 704.4(k)(2)(v) bestows NCUA the following authoritative actions: Eliminate or reduce dividends on any or all accounts; Force a merger; Restrict growth; Dissolve CUSOs; Remove the board; Fire management; Conserve the corporate; or Take any other action.

If you allow a NCUA employee to do any of the actions listed above strictly based on an opinion or unsubstantiated belief of a potential problem, this will be the beginning of a slippery slope. There should be set guidelines that everyone has to follow. Leave the vague, discretionary regulations out?

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The justification for the proposed regulation change is to protect the NPCU and prevent this from occurring again. If we really want to protect the NPCU, don't allow capital accounts to be conditional. With the compounding effects of limiting the deposits one credit union can deposit into a corporate, therefore causing credit unions to spread funds out among numerous corporates, the NPCU would be required to contribute capital or move the funds to a bank. Conditioning capital is a bad idea. However, if the regulation is going to be written with conditioned capital as an option, at least mandate a 12-month grace period before the corporate can cancel services.

I ask that the NCUA Board reevaluate the proposed regulations. The objective should be to maintain a credit union system that provides credit unions the ability to invest with the corporate credit union they choose. If a bad decision is made, let the examiner regulate that particular institution by the same regulations that all corporates abide by.

Thank you for your time and consideration.

Sincerely,

Joey Hand

Joey Hand, CEO

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