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

February 28, 2010

Response to Proposed Rule for Corporate Credit Union (12CFR Part 704)

Dear Ms. Mary Rupp:

The Board of Carolina Cooperative supports the corporate credit union system and understands the difficulty the NCUA has had during this economic crisis. Although the Board supports the NCUA decision to reduce risk within the corporate system, we feel a few changes need to be made to the new regulation 704. The following are changes that the board of Carolina Cooperative would like to see:

The Board would like to see a change to the 704.9 Liquidity Management. A corporate credit union needs to have the appropriate resources to better manage its balance sheet while providing needed liquidity services to its member-owners. A corporate credit union should not have any borrowing term limit when the borrowing is for its own or its members' liquidity purposes.

The Board would like to see a change to the 704.8 Asset and Liquidity Management. The two year WAL portfolio limit is too restrictive since a corporate would need to manage a portfolio well below that limit to ensure compliance. A 3-year WAL limit for the portfolio allows a corporate some needed flexibility in managing its portfolio to a target range of 2-years. The calculation methodology should be based on 12-month average asset which would take into account seasonal cash flows.

The Board would like to see a change to the 704.8 Asset and Liquidity Management. The spread widening test should be modified to exempt securities that do not carry a credit risk component, such as government-backed and/or government agency investments. Assets risk-weighted at 20% should also be subjected to a lower spread widening test than the proposed 300 basis point model to reflect the corporate's lower credit risk component. Credit spreads widen and tighten over an economic cycle just like interest rates rise and fall. As uncertainty increases, credit spreads widen. As stability increases, credit spreads contract. With no ability to manage credit risk, interest rate risk, or liquidity risk, the NCUA may have created a foolproof framework for corporate; however, it has effectively eliminated the value proposition for which they were created: cooperative pricing and a better deal for its member owners.

The Board would like to see a change to the Term Certificate Redemptions. Corporates should be able to share market gains related to the early redemptions of term certificates with its members as long as the corporate can experience a market gain on the sale of its offsetting assets.

The Board would like to see a change to the Single Obligor Limit for Overnight Funds. The low risk profile of the overnight market should allow a higher single issuer concentration limit for such overnight deposit transactions from 100-200% of capital.

The Board would like to see a change to the Extinguishment of Capital. The extinguishment of capital as interpreted and mandated by the NCUA is unreasonable. Recoveries on bonds that were written down and impacted capital owners should be returned pro-rated to the capital holders as opposed to being a bonus to the corporate credit union's capital.

The Board of Carolina Cooperative appreciates the NCUA's position during these difficult times, and we hope all credit unions realize the intrinsic value the corporates provide and the difficulty small credit unions would have without the corporates. Carolina Cooperative supports the corporates and is prepared to help recapitalize the corporate system.

Sincerely,

Paris Aranguiz
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