SERVICES CREDIT UNION
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March 1, 2010

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

Comments Regarding Proposed Rule for Corporate Credit Unions (12 CFR Part 704)

Dear Ms. Rupp:

On behalf of the Board of Directors and Management of United Services Credit Union (USCU) I would like to express our appreciation for the opportunity to provide comments on the proposed changes to NCUA Regulation 704. USCU is a $55 million natural person credit union based in Asheville, NC. We have 12,500 members utilizing 7 branch office locations. Additionally we have a staff of 25 serving the financial needs of our members.

We have enjoyed a long and mutually beneficial relationship with First Carolina Corporate Credit Union. However, the services we receive are only a small representation of the value of the relationship with our Corporate. We do ask that any regulatory changes being contemplated not result in the intentional or unintentional consequence of a natural person credit union not being afforded the option to continue such a trusted relationship as we currently enjoy.

While recent events may make it prudent to revisit current regulations we believe that some of the proposed changes may go beyond being helpful and may in fact prove detrimental. We would like to present our remarks to the NCUA board in the spirit of "Constructive Conflict" as it was referred to by Board Member Gigi Hyland at the recent Government Affairs Conference in Washington DC. As such we trust the entire Board will give adequate weight to the comments received from all interested parties.

Please consider the following comments;

Corporate Governance

We do not agree with the NCUA's suggested term limits of six years total (two 3-year terms). Given the complexities of the role of a Director on a Corporate Credit Union Board it would seem more appropriate that any limitations be for a term exceeding this period. Individuals elected by the membership need to have an adequate period of time to ramp-up, to be trained, to become comfortable, and to ultimately contribute to the organization. To be restricted to six years may result in the best talent being forced to turn-over much too quickly. We would like to suggest a change to a minimum of not less than nine years.

Extinguishment of Capital... Definition of "Available to Cover Losses"

As drafted it would appear that this definition is in effect regulating an allocation of gains and losses in contrast to the actual impact of the losses as originally incurred. This is simply unfair to the membership of any natural person credit union which held membership capital in a Corporate and suffered a loss due to impairment. Recoveries and future retained earnings should be allowed to reduce these impairments over time and/or be returned on a Pro-Rata basis as opposed to being a windfall to a corporate credit unions capital. At very least allow this issue to be decided by the Board of Directors of each of the corporates themselves.

Concentration Limit

The concentration limit as proposed is too restrictive, and may have the result of driving up costs in the search for suitable alternatives. For example this could mean deposits in as many as 40 different institutions for our current Corporate, First Carolina. This will further negatively impact overnight rates and/or create risks for Natural Person Credit Unions. The proposal should be changed to allow larger single obligor limits.

Liquidity- 30 Day Maximum Borrowing Term

As drafted this requirement would have a negative impact on the NPCU members of Corporate Credit Unions. A Corporate credit union should not have a borrowing term limit imposed upon it when borrowing for liquidity reasons; either its own or one of its member credit unions. It would likely create a situation wherein loan requests by us to our Corporate may result in limits on borrowing, less favorable loan rates, or a combination of both.

Timeline and Phase-In of Guidelines

There needs to be an adequate amount of time given to comply with all of the new rules, regulations, and compliance requirements. The compliance period must also give sufficient time for a determination as to viability of the resulting corporate credit union business model. A phase-in period will allow member credit unions to make informed decisions about issues such as recapitalization and evaluation of new, or changed, service requirements.

A number of the proposed changes to NCUA Regulation 704 would negatively impact Natural Person Credit Unions, especially small and mid-sized credit unions. The comments stated above only touch on a few of the more onerous aspects of the proposal. As we see it at this point these provisions will increase our cost of doing business, may limit our investment options, and may increase our cost to lend to members, among other issues. We ask that you please carefully deliberate on the issues involved as well as how and when you plan to proceed with any of these proposals.

I want to thank you for your time and thoughtful consideration.

Wm J Carrington III

William J Carrington III
President/CEO

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