From:	Ken Payne
To:	_Board Mail
Subject:	Comment on Reg 704 Proposals
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Importance:	High

March 1, 2010

Chairman Debbie Matz
Board Member Michael Fryzel
Board Member Gigi Hyland
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Re: Proposed changes to regulation governing corporate credit unions

Dear Chairman Matz, Board Member Fryzel and Board Member Hyland:

In response to the continuing financial crisis, the NCUA has proposed sweeping changes to the rules governing Corporate Credit Unions (CCU's). As a state chartered credit union with $22 million in assets, we rely on our CCU for many services. We offer the following input on the proposed regulation.

Services

We rely on our CCU for liquidity and transaction processing, including member and corporate share drafts; ACH receipt and origination; wire receipt and origination; coin and currency orders; and check truncation and deposit processing. Maintaining access to these services is of paramount concern to Freedom Credit Union.

Capital/Retained Earnings Requirements

Concern: The capital requirements for CCU's as outlined in the regulation seem unattainably high. In order for existing CCU's to achieve the level of retained earnings mandated by this regulation, natural-person credit unions (NPCU's) will have to pay fees for services provided by CCU's and/or accept returns from investments with CCU's that will be substantially worse than prevailing market rates. It seems unlikely that NPCU's will be able to shoulder this burden, as they too are struggling to rebuild their capital.

Recommendation: Revise capital requirements to be realistically achievable, increasing the likelihood that CCU's can survive while competitively serving their NPCU members in a cooperative environment. Specifically, retained earnings components need to be lower, and the time to reach mandated levels needs to be longer.

Legacy Assets

Concern: The proposed regulations do not address potential future losses from existing CCU investments. Natural person credit unions *must* be shielded from further losses from legacy assets if they are to contribute additional at-risk capital. As proposed, NPCU's will be precluded from sharing in any recovery of already-recognized losses on these legacy assets if actual losses are smaller than presently estimated. This seems unfair and is entirely unnecessary. Generally Accepted Accounting Principles (GAAP) does not require this treatment; it is a regulatory requirement imposed by NCUA.

Recommendation: Explicitly segregate future losses from legacy assets, and permit NPCU's to share in the recovery if realized losses are lower than current estimates. The management and Board of Directors of Freedom Credit Union provided two specific proposals to reduce the burden on NPCU's related to continuing capital losses at CCU's in our letter to NCUA dated October 29, 2009.

Corporate Governance

Concern: The proposed term limit for directors of CCU's seems arbitrary. As a seasoned Board, we fail to see how new Board members who may be inexperienced will protect a corporate credit union from losses.

Recommendation: Remove term limits from the proposed regulation. The selection of directors should be left to the NPCU's that make up the CCU.

Concern: The requirement that CCU directors be compensated "C-level" executives from NPCU's also does not seem to offer protection or added value. There are many competent, qualified, and passionate volunteers in the credit union movement who are not compensated credit union executives but would nonetheless bring valuable expertise to CCU boards.

Recommendation: Eliminate the requirement that CCU board members be employees of member credit unions. The selection of directors should be left to the NPCU's that make up the CCU.

Thank you for your attention to these concerns.

Respectfully,

Tom Crabb, Board Chairman — Ken Payne, President/CEO

Lynn Smith, Board Vice-Chairman — Renae Golding, Board Secretary

Vern Brimley, Board Member — Steve Teeter, Board Member