

March 1, 2010

The Honorable Debbie Matz, Chairman  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428

RE: Proposed Regulation 704

Dear Chairman Matz,

As a credit union board member I am very concerned with the proposed 704 Regulation. Below are just a few of my concerns with this proposed regulation.

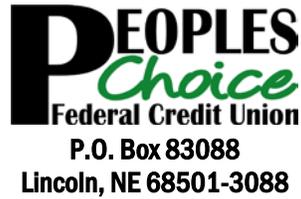
- As a \$60 Million natural person community-chartered credit union with 13,200 members, we are concerned by the idea that proposed Regulation 704 would increase capital requirements and introduce a risk-based capital scheme in addition to stricter forms of capital. Corporate credit unions may also require capital as a condition of membership. Another issue is the requirement that capital must be depleted when needed to cover losses by a corporate credit union. Further, as proposed, Regulation 704 gives NCUA the authorization to also establish stricter capital requirements at their discretion.
- As presented, it appears proposed Regulation 704 assumes it can prevent global systemic capital market failure and implies that capital investments and ownership are too risky. It is our opinion that risk should be managed, not eliminated.
- Based upon the proposed Regulation 704, it appears likely that natural persons credit unions will be required to convert 100% of our remaining Membership Capital Shares to a permanent capital basis. It also appears that permanent capital will be required to access SunCorp's services and any new contributed capital will have priority over our existing capital.
- Another area of concern in the ALM portion of proposed Regulation 704 is the limit that borrowing would be restricted to 30 days. This short time frame is very limiting and would be inefficient in certain market conditions. In reviewing an overview of areas addressed by proposed Regulation 704, only one percent was devoted to liquidity issues even though it impacts a critical amount of a corporate and natural person credit union day-to-day viability
- Based upon our services utilized and current account balances, our credit union pays approximately \$25,000 per year in processing charges and spreads on deposits on our

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accounts at SunCorp Corporate FCU. In order to meet the new 4% requirement included proposed Regulation 704, it is estimated our credit union would either receive less income and or pay higher fees in the range of \$6,000 to \$12,000 per year to meet the new requirements. As a \$60 Million credit union, this reduction of income or increase in expenses can and does make a difference in our bottom line and overall ROA.

- As an alternative, we would simply ask that the NCUA Board start over and offer more choices and more flexibility. In addition, allow corporate credit unions to assume some risk and higher return *OR* if the risk is to be reduced, require less return.

I believe Regulation 704 should be abandoned and rewritten if Corporates are to survive and if members are to continue to accrue benefits from them.

Sincerely,

Jim Peschong  
Board member