

RED CROWN CREDIT UNION™



It's not just service. It's Personal.

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March 1, 2010

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

The Honorable Gigi Hyland
Board Member, National Credit Union Administration

The Honorable Michael E. Fryzel
Board Member, National Credit Union Administration

Re: Comments on the Proposed Revision of Part 704

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

As president of Red Crown Federal Credit Union I want to thank you for allowing me the opportunity to comment on NCUA's Proposed Rule for Corporate Credit Unions. I also want to thank the Board for organizing the town hall meetings that were held. I attended the Dallas meeting and was able to gain a lot of insight regarding the proposed revision.

Red Crown Federal Credit Union has been in business in Tulsa, Oklahoma since 1938. Originally chartered as the credit union for Standard Oil Corporation, we now hold a community charter and have grown to about \$118 million in assets. Red Crown provides a full range of services to approximately 19,000 members in the Tulsa MSA.

Our partnership with Southwest Corporate Credit Union has been a key part of our success. For example, by providing us with leading technology in the area of remote deposit capture we not only enjoy the benefits of submitting our cash letters electronically, but have also been able to offer our business members the ability to submit their deposits to us electronically. This service and others provided to us by Southwest Corporate are critical to our operation.

Although I agree that changes must be made in order to ensure the safety and soundness of the corporate system, I have grave concerns about the viability of the system if the Proposed Rules are implemented as written. Of greatest concern is the restriction on the mismatch of assets

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and liabilities. While risk in the corporate investment portfolio must be contained, paragraph 704.8(e) appears to be too conservative. I believe it is an overreaction to the losses caused by investments in private label mortgage-backed securities. Investment risk can be reduced to an acceptable level by prohibiting investment in this type product and limiting a corporate credit union's interest rate risk exposure to a level that would still allow a reasonable rate of return.

Another concern is that Southwest Corporate will not be able to meet the new risk-based capital ratios without recapitalization from its members. The transition period set forth in the Proposed Rules only allows one year after the rules are published. Unless a solution to the problem of "legacy assets" can also be implemented within this one-year period, natural person credit unions are not going to provide new capital. I know NCUA has acknowledged this problem and is working to address it. Why not allow more flexibility and incorporate a time frame based on the later of: 1) publication of the rules, or 2) implementation of the legacy asset solution?

I respectfully request that NCUA consider changing these two areas of the Proposed Rules. If not, our credit union will have to look for an alternate provider for our settlement, check processing, remote deposit, funds transfers and other services. While there are certainly other providers that we can use, a transfer of these critical services will be very disruptive to our operation. We are also very concerned about the disruption of service to our members that such a change would create.

Our credit union is going to have many challenges in the next couple of years, including the economic conditions, the rebuilding of retained earnings due to the loss of our Southwest Corporate capital investment and the increased share insurance cost. The last thing we need is to also lose the ability to partner with our corporate for the fundamental services they provide.

Thank you very much for taking time to consider my comments. An acknowledgment of the receipt of this letter would be greatly appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Marsha Schmidt", with a long horizontal flourish extending to the right.

Marsha Schmidt
President/CEO