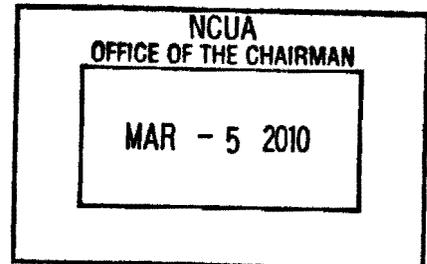


March 1, 2010

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



Dear Chairman Matz,

On behalf of our 13,200 members, please accept my sincere appreciation for your efforts to address this most urgent topic with the NCUA Board. I serve as a volunteer member of the Board of Directors for Peoples Choice Federal Credit Union in Lincoln, Nebr.

Peoples Choice Federal Credit Union became a member of Nebraska Corporate Central Federal Credit Union ("NCCFCU) on October 8, 1976. In early 2002, NCCFCU merged with Systems United Corporate (SunCorp) Federal Credit Union and we have been an ongoing and active user of SunCorp's services since then.

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.

At a high level, the proposed NCUA Regulation 704 will result in price increases our credit union will have to pay to SunCorp, lower the dividend rates we receive, that in turn will be passed on to our members. Along with the new capital requirements of Regulation 704, we do not believe credit unions will support this business model and as a result, corporate credit unions will cease to exist and credit unions will be forced to find new providers for settlement services, likely from our competitors in the for-profit banking industry.

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.

A spokesperson from NCUA has noted that corporate credit unions can only achieve the retained earnings requirement by decreasing retained earnings. To decrease assets, member and natural person credit unions like Peoples Choice Federal Credit Union will be forced out of the credit union system via lower interest rates being offered. In addition there will be less scale available for the existing payment systems products and credit unions will be required to look elsewhere, including the banking industry. Reduced

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assets will also result in less product innovation. In order to increase retained earnings, corporate credit unions will be forced to lower their investment rates and/or charge higher fees and attempt to lower existing expenses beyond their current level. This may be a very difficult scenario to follow to remain a viable choice in the market place for natural person credit unions to support.

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.

While we believe in and support the corporate system 100%, our first priority is to the members of our individual credit union. As an organization, our Board of Directors may someday be forced to choose between the two.

An 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 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.

In addition to the measurable dollar impact of the proposed regulation, natural person credit unions like ours will likely be required to hire additional staff and incur higher personnel costs to support some of those services previously provided by SunCorp if it ceases to exist.

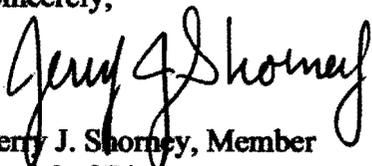
SunCorp also provides us with no-cost staff training and timely information on many topics including proposed regulations such as NCUA Regulation 704, BSA and OFAC compliance, ACH compliance and audit review, funds transfer security, sessions providing economic updates and investment strategies, check conversions, branch capture options, in addition to other training needed for us to meet our regulatory requirements in addition to serving our members. Without SunCorp, we would have to look elsewhere in the financial services market place for this type of training and assume the cost of this needed training.

We recognize that some changes are necessary with the existing NCUA Regulation 704 and we support these efforts. This includes the need for more capital, tighter Asset Liability Management ("ALM") practices, more diversification of investment portfolios and more liquidity sources.

On the other hand, we believe there are some inherently significant errors and questions raised by NCUA's modeling techniques used in the proposed regulation. One very large issue for us as a \$60 Million credit union with limited resources is the fact that proposed Regulation 704 is 253 pages in length and NCUA is providing us only 90 days to read, understand, and project its long-term consequences.

Thank you for your time and consideration of this most important issue.

Sincerely,



Jerry J. Shorney, Member
Board of Directors
Peoples Choice Federal Credit Union

cc:

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The Honorable Ben Nelson, U.S. Senator
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