



March 2, 2010

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

RE: Comments on Part 704, Corporate Credit Unions

Dear Ms. Rupp,

The Management of TwinStar Credit Union would like to express our concerns regarding NCUA's proposed changes to corporate credit union regulations. While TwinStar certainly supports a restructured corporate system, the proposed rules will make it difficult for the reformed corporate credit union system to succeed. Failure of a restructured system will have far reaching and potentially devastating impacts on natural person credit unions that rely on corporate credit unions.

Here are just a few of our more specific concerns:

- New capital requirements will put significant earning pressure on the corporate credit union that could result in diminishing returns to the capital provider. Shortened weighted average life regulations will make investment returns hard to achieve.
- Earnings pressure will also affect the services offered to natural person credit unions. Services may become more expensive. Natural person credit unions are under siege by new expenses; health insurance, plastic cards, provisions and loan charge offs are just a few of our rising costs. Another increased expense will at minimum force credit union managers to look elsewhere for these services.
- Small credit unions may feel disproportionate impact should the proposed regulations become law. If small credit unions don't have access to the products and services they obtain from today's corporate credit union system, they may not be able to afford offering them to credit union members. Small credit unions already struggle to keep up with consumer requests. The new rules could force a wave of mergers that will eventually eliminate small credit unions. A rise in small credit union failures would place even more pressure on the NCUSIF.
- Natural person credit unions will be asked to recapitalize the corporate credit union system. Why would a credit union bother when the prospect of return on investment looks to be little or nothing? Why not allow corporates to operate in a way that lets natural person credit unions regain faith that deposits in corporate credit unions are safe and contribute to the health of our overall system? Furthermore, proposed capital

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redemption guidelines make investments by natural person credit union even less desirable.

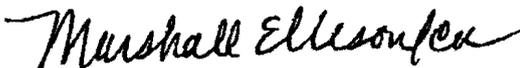
- The proposed regulations do not address the issue of legacy assets. Until this issue approaches closure, it provides another reason for natural person credit unions to resist sending recapitalization funding to corporate credit unions.
- The concept and eventual formation of corporate credit unions resulted from a desire for credit unions to do business with people that shared the credit union philosophy. Will a new tightly structured and highly regulated corporate system with high fees and hardly any capital be difficult to deal with? Perhaps. Natural person credit unions could flee en masse to a large regional bank or FLHB for services we offer our members every day. Natural person credit unions will be faced with this difficult choice as a matter of survival.
- There is a great deal of uncertainty with the proposed regulations. What will happen to current corporates if there is not enough new capital to adequately recapitalize the system? Will the NCUA treat natural person credit unions differently if they do not participate in the reformed system? Will there be different regulations for natural person credit unions depending on who we do business with? The list of questions could fill page after page.

For these reasons, and many others, TwinStar Credit Union urges reconsideration of the proposed regulations for corporate credit unions. The success of any financial institution depends on the management of risk, not elimination of it. The proposed regulations do not provide a roadmap to success for the corporate credit union system. Corporates will become too regulated to succeed.

As you know, a weak or non-existent corporate credit union system could result in sweeping changes to or even the complete elimination of natural person credit unions. It's troubling, especially when credit unions are enjoying a growing national appeal among consumers and have the potential for explosive growth.

Thanks for taking these comments from credit unions. Please consider revising the proposed corporate credit union regulations to provide a business model under which corporate credit unions can operate profitably and efficiently:

Sincerely,



Marshall Ellison
TwinStar Credit Union
President/CEO