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LITHIUM FEDERAL CREDIT UNION

March 2, 2010

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

Dear Ms. Rupp:

This is in reference to NCUA's proposed Regulation 704. I have a few comments that I feel that I should share with you concerning our credit union.

- 1) Extinguishment of Capital: I firmly believe that corporate credit unions should be allowed to return any recoveries on bonds to the impacted credit unions. We have had to write off a great deal due to bond writeoffs and should profit if there are any recoveries.
- 2) Term Certificate redemptions: Again, I firmly believe that corporate credit unions should be allowed to share market gains related to the early redemption of term certificates.
- 3) Liquidity-30 day maximum borrowing term: The 30 day term limit puts an unnecessary burden on the corporate credit unions and restricts their borrowing power which in turns restricts the borrowing power of their members.
- 4) Spread widening test – 3 month mismatch target: First Carolina has done a good job of managing high credit quality assets and has taken minimum interest rate risk. What happened at US Central should not be a reflection on First Carolina as NCUA did not foresee what was happening either. These restrictions should be modified to exempt securities that do not carry a credit risk component.

PEOPLE HELPING PEOPLE

5) Single obligor limit for overnight/fed funds transactions: Given the much lower risks involved with overnight investments compared to term investments, I would like to recommend that overnight deposit limits be increased to 100-200% of capital to be in line with repurchase limits.

Thank you so much for allowing me to express my opinions on this proposal and I hope that modifications of this proposal can be made.

Sharon B. Smith

Lithium Federal CU
Manager/CEO