



March 2, 2010

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

Dear Ms. Rupp,

Thank you for the opportunity to provide comment on the NCUA's proposed Regulation Part 704 concerning the role of the Corporate Credit Union network and its structure. As the CEO of Penn State Federal, a mid-sized natural person credit union, and long time director of Mid-Atlantic Corporate Federal Credit Union, I know the value of a well run Corporate. I am concerned that the regulation as proposed may have unintended consequences for natural person credit unions, corporate credit unions and by default the insurance fund.

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Penn State Federal Credit Union uses Mid-Atlantic Corporate Credit Union for payment processing, wires, and investment services. Changing to other payment financial institutions or brokers for processing and investment could expose us and other credit unions to additional risk and expense.

I offer the following comments on the proposed regulation.

Section 704.3 Corporate Capital

MCA balances that are placed on notice and not converted to PCC or NCA should count toward total capital at the same two-year declining scale as defined in the present regulation.

The entire amount of PCC should count toward core capital. Although growing retained earnings is an excellent goal, limiting the amount of PCC counted toward core capital to be equal to total retained earnings, could impact membership growth. Additionally, the time frames set to attain set bps of retained earnings may not be realistic in the current rate environment or with the proposed investment restrictions.

The sale of PCC between corporate credit union members should be allowed. Since there is currently no organized or regulated marketplace for such transactions, a formal universal process must be developed. Corporate credit unions at a minimum must be notified jointly by the credit unions involved as to the amount and effective date of the transaction.

Section 704.5 Investments

A simpler approach may be to limit investment powers to the existing base plus level. Mid-Atlantic Corporate has managed very well with that level. The corporates with the higher Part IV powers caused the current losses to the system. Those powers could be eliminated or modified. As currently proposed, the regulation will result in the unintended consequence of limiting corporate credit union's capacity to remain competitive and build back retained earnings.



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### Section 704.8 Asset Liability Management

This section needs to be reviewed. The proposed regulation appears to require tests to monitor and measure risk that layer on top of each other and may conflict with each other. ALM required testing and investment should be equal to that of corresponding bank regulations.

### Section 704.11 Corporate Credit Union Service Organizations

This section as written has the potential to greatly impact natural person credit unions that use existing Corporate CUSOs to serve their members. Existing CUSOs could be grandfathered in. For new CUSOs, NCUA could create parity between parts 704 and 712 by including the same list of permissible CUSOs in both regulations.

### Section 704.14 Board Representation

As a long term Director of Mid-Atlantic, I offer perspective from within the Board Room. I have worked with Directors, who are volunteers and not employees of natural person credit unions. They are fine Directors. The very Corporates who caused the current losses indeed required Directors to hold the title of CEO of their natural person credit union. A title does not effectively identify candidate suitability. Each Corporate's Nominating Committee should establish qualifications for corporate board members.

There should be no term limits. Corporate credit unions are very different from natural person credit unions. It takes time to understand a corporate's operations and financial statements; a six year term limit is too short. Directors are elected by the membership. The membership, not NCUA, should decide when it is time for change.

### Section 704.19 Disclosure of Executive and Director Compensation

The new regulation should state the categories of compensation to be used, so that all corporates report consistent information. In addition to transparent senior executive compensation, all compensation arrangements with respect to mergers should be disclosed.

### Final Comments

In corporate credit unions and natural person credit unions, the outcomes are a result of culture and risk appetite. Many credit unions like ours are burdened with the costly consequences of decisions we did not make and could not control. It is imperative that the new regulation not fix that which is not broken.

Thank you again for the opportunity to provide comment.

Sincerely,



Constance M. Wheeler  
CEO