

Mar. 4. 2010 4:08PM

No. 1793 P. 2

Welcome Federal Credit Union

March 4, 2010

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

Subject: Response to Proposed Rule for Corporate Credit Unions (12CFR Part 704)

Dear Ms. Rupp,

Thank you for the opportunity to comment on the proposed changes to NCUA Regulation 704. Welcome Federal Credit Union is located in North Carolina with assets of \$86 million. First Carolina Corporate Credit Union provides our credit union with low-cost lines of credit, settlement services, ACH origination, wire transfer services, ALM modeling, and investment services. While the proposed regulation addresses the risk issues that have severely impacted natural person credit unions, my concern is that the proposed regulation will make it impossible for the corporate credit union system to survive. My credit union would have to return to banks for these services resulting in higher fees, increased borrowing costs, and lower quality service. Ultimately, our increased expenses will have a negative effect on our capital and in the end, our membership.

Some of my major concerns are:

704.6 Credit Risk Management

The single obligor limit in the proposed regulation limit is 25% of capital. Short term member deposits that the corporate places in overnight deposits would have to be spread out among many institutions possibly increasing credit risk. Given the low risk of overnight markets, please consider raising the limit and/or excluding overnight deposits/fed funds.

704.8 Asset and Liability Management

The proposed regulation calls for the maximum weighted average life of a corporate credit union's investment portfolio not to exceed 2 years. This is very restrictive given seasonal cash flows. Please consider using 12 month average assets to calculate this limit.

Main Branch - RTP

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Early redemption of term certificates by a credit union should be subject to market driven penalties, whether it is a gain or a loss.

The 300 basis point spread widening test between assets and liabilities should be modified to exempt securities that do not carry a credit risk, such as government backed or government agency investments. Assets risk weighted at 20% should also be subjected to a lower spread widening test to reflect their lower risk. Corporate credit unions need to have the opportunity to earn a spread and pass those earnings on to their members.

704.9 Liquidity Management

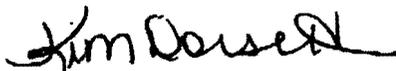
Corporate credit unions were founded to help provide liquidity to natural person credit unions. By imposing a 30 day limitation, you will reduce a credit union's access to long term liquidity. Please consider removing the 30 day maximum borrowing term.

704.14 Representation

Two 3-year terms on a board is not a long time considering the complexity of corporate credit unions. Education is costly. Experience is priceless. Please consider longer maximum term limits for a corporate credit union's board of directors.

I appreciate NCUA's hard work and diligence in the rewriting of proposed regulation 704. I know that the goal is to eliminate risk so that we never have to experience the losses that we have the past two years. I am afraid that the proposed regulation is so restrictive that corporate credit union's will have no future in the credit union system. My credit union, along with other small credit unions, will have to go outside the system for financial services. Again, thank you for the opportunity to comment on proposed changes to Regulation 704.

Sincerely,



Kim Dorsett
CFO
Welcome Federal Credit Union