From: Cindy Glessner
To: _Regulatory Comments
Subject: Corporate Credit Union Proposal Comments
Date: Thursday, March 04, 2010 5:31:46 PM

Dear Ms. Rupp:

As the CEO of a medium sized real-person credit union, I have significant concerns about the proposed changes to Part 704 addressing corporate credit unions. I believe they have the potential of destroying the corporate system entirely and putting undue pressure on real person credit unions to replace their services at significantly higher prices. This is extremely disconcerting in an environment where margins are already strained.

1. Capital ratio improvement: While I can appreciate the NCUA's concern over capital levels at all credit unions I foresee further erosion of corporate stability by a requirement to raise capital that cannot be accomplished quickly. Presumably they will need real person credit unions to recapitalize, an occurrence that is unlikely to be acceptable to real person credit unions. Having just lost $225,000 with the NCUA seizure of Wescorp, we are highly unlikely to want to re-deposit more cash, in the absence of some insurance, given the current unpredictability of future outcomes for all credit unions. NCUA and Wescorp need to prove they have solved the problems that caused the collapse before real person credit unions will want to trust them again with uninsured deposits. Added to the other restrictions in the rule that will prevent corporates from being profitable, the time to restore capital must be extended.
2. Weighted average asset life of 2 years: While it is tempting to move farther out in maturity as rates fall, the answer to curbing that risk is not to artificially restrict maturities to a speed so fast no one will want to pay the costs associated with it. Including loans in this calculation is also ill advised. Corporates were invented, at least in part, to assist real person credit unions meet their short and long term liquidity needs. At the very least, loans should be excluded from this calculation. I still would have issues with the 2 year average weighted life limit because outside investment offerings will have no such artificial limitation and this will encourage credit unions to place excess liquidity elsewhere while our corporate is increasingly unable to offer investments that look any different from the investments they, in turn, can make.
3. Director's term limits: 6 year term limitation is probably too restrictive. While there is a benefit in attracting new talent, our experience has been that it takes several years for a new board member to become fully expert. To force turn over in such a short time seems counterproductive. The corporate board will forever be dominated by people who lack experience. If the terms are 3 years in length, perhaps a more reasonable time limit would be 3 terms (or 9 years)
4. Legacy assets: The rule does not appear to address the troubled assets already on the books of corporate credit unions. The final disposition of these assets will most likely significantly impact all credit unions. I suggest this topic be addressed before this rule goes into effect.
5. Dividends on capital accounts: I notice that corporates defined as undercapitalized would be restricted in paying dividends on capital accounts without NCUA approval. It makes sense to have dividends posted to other deposit types and reserved to build capital but the blanket nature of the prohibition fails to take into account the particular circumstances. Such a restriction could make it difficult for corporates to generate those capital deposits at all.
6. Credit rating for investments: Rather than require 3 ratings when less than 3 may be

available, I suggest a more comprehensive set of guidelines for establishing risk in the absence of 3 ratings. If we (corporates or real person credit unions) have to limit our investment choices to only those that have 3 ratings we may be unable to make the best possible use of excess liquidity.

My overall concern is that NCUA will overreact to the difficulties of the last two years and institute regulations that will cripple the industry completely. No one denies that there were abuses of the system and that the system needs to be updated. However, my perspective is that "risky" investments became risky/riskier when the people putting them together accepted loans (either knowingly or unknowingly) that did not possess the characteristics described in the overall investment. Rating systems do no good when the rater is evaluating an instrument with underlying collateral that is substandard at best and fraudulent at worst.

Thank you.

Sincerely,

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