From:	Larry Knopp
To:	_Regulatory Comments
Cc:	Management
Subject:	Larry Knopp Comments on Part 704 Corporate Credit Unions
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I agree completely with Thomas M. Hoenig, President of the Federal Reserve Bank of Kansas City. On March 6th 2009 he gave a speech in Omaha, Nebraska where he noted that our entire financial system was suffering from "weak or neglected risk management practices, and highly leveraged and interconnected firms and financial markets." He further concluded that "To start the resolution process, management responsible for the problems must be replaced and the losses identified and taken. Until these kinds of actions are taken, there is little chance to restore market confidence and get credit markets flowing." While he was not referring to credit unions and the credit union system, clearly he could have been. We should follow his advice. What are we waiting for?

There is an inherent conflict of interest involved when the CEO's and board members of the failed corporates comment on the proposed NCUA Regulation for Corporate Credit Unions. In the case of the CEO's, CFO's, CIO's and EIEIO's of the corporates they want to insure that there is still room for, and a need for, their many talents. For example, if corporates are restricted in their investment options they may not have a need for a Certified Financial Analyst to head up the investment department. In the case of the CEO's and board members they want to continue to pretend that what has happened was purely a "market dislocation", an "unavoidable meltdown of unprecedented proportions" or simply "an act of god" and obviously could not have been avoided. While these boards and management staffs of the failed corporates would like to have everyone join in their crusade to depict the NCUA as the root of all evil and the cause of all our problems that is demonstrably not true.

The coporate collapse that now endangers the entire credit union system could clearly have was avoided if the majority of the corporates, US Central included, had chosen NOT to turn their credit unions into miniature versions of Goldman-Sachs. They made the choice to become investment bankers. Why they made this choice is something for another comment period. The fact is that at least two corporate credit unions did not follow the path of becoming investment bankers. Both Corporate Central of Muskego, Wisconsin and Corporate America of Alabama avoided becoming investment banks and avoided losing any of their members paid in capital or membership shares. They of course took a bath along with the rest of us since they had investments in US Central. In the case of Corporate Central they have 450 member credit unions. They have all the credit unions in Wisconsin and 200 more scattered across 17 other states. While my credit union was unfortunately not a member of Corporate Central I certainly wish we would have been (www.corpcu.com).

In terms of the specifics of the proposed regulation I suggest that the comments and recommendations made by Corporate Central that are posted on their web site and that were sent to the NCUA on January 29, 2010 be followed. I further suggest that comments made by the failed corporates be rejected out of hand due the inherent conflict of interest that exists. By failed corporate I mean to indicate a corporate that failed in their fiduciary responsibility and is in such poor financial condition (lost all of your paid in capital and now working on recognizing the loss of the rest of your membership shares) that they have little or no chance to achieve the capital levels required in the proposed regulation. The above mentioned Corporate Central will easily attain these capital levels, and did not fail in their responsibility to their members.

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