



March 4, 2010

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

Re: Proposed Regulation 12 CFR Part 704

Dear Ms. Rupp:

I appreciate that the NCUA Board has drafted a significant proposed regulation, which is directed at the nation's corporate credit unions. Ultimately, this proposed regulation will affect a large number of natural person credit unions. Our collective goals should be to provide effective and efficient services to natural person credit unions so they can continue to be competitive in the market place. As a previous WesCorp board member I can personally attest to the benefits a Corporate can bring to its membership. It's unfortunate that the reliance on the rating systems from the national agencies proved not to be reliable. That being said, Corporates need to retain investment authority to provide investment options to natural person credit unions.

The corporate credit union system was originally constructed to provide services to natural person credit unions that were at disadvantage when they had to rely on non-credit union financial institutions for such services as payments and settlements and other correspondent banking functions. The system is an important foundation of the credit union community and should be preserved. However, the system will not be viable going forward without 1) additional capital investments by natural person credit unions to reach safe and sound capital levels and 2) a viable business model that results in adequate net income to cover any expected future growth required to serve natural person credit unions. Naturally many natural person credit unions have faced large write-offs of investments in corporate credit unions last year and would be expected to be skeptical of placing further capital in the corporate credit union system if NCUA regulations are restrictive to the point that there is no viable franchise for corporate credit unions.

I believe there are some major limitations in the proposed rule that threaten the viability of the corporate credit union business model. The limitations primarily concern liquidity and investment returns. If not amended, these parts of the proposed rule will force our credit union into the undesirable position of seeking alternative, possibly far more costly, and certainly more unreliable, providers instead of a corporate credit union that ours and other credit unions would own.

Here are my primary concerns:

704.8 (c) Penalty for early withdrawals on corporate certificates

Our credit union has benefited from enhanced yields on our excess funds placed with our corporate, but I do not see why we are not able to obtain a premium on a certificate redemption if we need liquidity. If this proposed change stays in, we will have to seriously consider putting our longer-term investable funds elsewhere in liquid instruments that do not penalize early redemptions. All credit

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unions will be forced into the same choice, which will effectively mean the end of corporate certificates as a competitive investing option. That will not be good for our credit union, any Corporate, or the system as a whole. This proposal should be removed.

704.8 (d), (e) & (f) NEV sensitivity analyses

I have seen analyses that show that the proposed limitations placed upon a corporate through various NEV tests do not allow the corporate to generate sufficient interest margin to build retained earnings to meet your proposed capital requirements. If enacted as drafted, this proposal will inevitably lead to some combination of increased fees being charged to us and forced expense reductions that will adversely impact the level of service and support that our credit union needs. The rule should be revised to allow for a Corporate to make sufficient income from the balance sheet to grow and invest in innovation for the benefit of all its member credit unions, while exercising an acceptable level of credit and interest rate risk.

704.8 (h) Weighted average asset life

We look to our Corporate as a liquidity provider for both short- and long-term needs. I understand that the limitations placed on asset maturities or average life limitations may severely impact our ability to obtain long-term liquidity if we need it. We propose that loans be excluded from the calculation of the weighted average life of the investment portfolio.

704.6 (c) & (d) Concentration limits

Under the current proposals for concentration limits, a Corporate would be severely challenged to invest short-term liquidity at reasonable rates. This will have the effect of reducing the overnight rates our credit union receives from our Corporate. I respectfully urge a number of revisions here: Please change the definition of deposits in 704.6 (d) to include Federal Funds, or include Federal Funds transactions in the exemption from sector concentration limits. Also, please change 704.6 (c) to allow a larger single obligor limit of 200% of capital on money market transactions with a term of 90-days or less. An alternative solution might be to specifically allow a single obligor limit of 200% of capital for Federal Funds transactions sold to other depository institutions.

704.19 Disclosure of executive and director compensation

I understand that the salaries of "senior executives" should be available to members, but only "senior executives". I would define a "senior executive" as the Chief Executive Officer, the Chief Financial Officer and three most highly compensated executive officers (similar to SEC rule II.C.6.a). Please consider revising the rule to accommodate these concerns; if we are going to have corporates, we would like the competitive flexibility to attract and retain the caliber of staff necessary to manage the aggregated risk in the credit union system.

704.8 (k) Overall limit on business generated from individual credit unions

I do understand why a limit ought to be placed on the aggregate investment in a Corporate that comes from our credit union. That's common sense. However, the current limit of 10% may force a corporate into short-term borrowings with less favorable terms regarding price, maturity and collateral. It may also be damaging to the corporate's earnings: It would force corporates to maintain larger cash balances, which would likely be detrimental to earnings. I am concerned that this proposal may limit a Corporate's ability to provide our credit union with reasonably priced short-term liquidity. I ask you to consider allowing borrowings with a maturity of 30 days or less, from either the Federal Reserve Bank, a Federal Home Loan Bank, a Repurchase Agreement counterpart or a Federal Funds counterpart, in excess of 10% of the corporate credit union's moving daily average net assets, by eliminating the "or other entity" part of the proposed regulation. Alternatively,

consider allowing a higher borrowing limit of as much as 20% of the Corporate's moving daily average net assets from these entities.

704.11 Corporate Credit Union Service Organizations

We request some clearer definition as to what will be permissible in the final rule. We are concerned that, in its current wording, the proposed rule will make it extremely difficult for a Corporate to find qualified CUSO partners with whom to offer credit unions the competitive products and services they need. I can certainly understand that if I were a third-party provider of a necessary service in which a Corporate wanted to be a minority partner, I would not allow the NCUA free access to my books, records, software and operations. Rather, I would force the Corporate to leave the partnership.

Furthermore, as the products our members demand continue to evolve, the expense of producing those products becomes prohibitive. Many natural person credit unions are creating CUSOs to help produce innovative products at a minimum cost. Often we rely on our Corporate to join that CUSO, because they bring considerable expertise that is not available to most credit unions. Any changes, such as the full access to operations, which may prohibit a Corporate from joining such CUSOs, will obviously be a detriment to our future abilities. These changes should be limited to a more practical and realistic status where, for example, a Corporate has the controlling interest in the CUSO.

The above areas comprise our major concerns with the proposed rule, and I hope that our comment on this is sufficient to prompt you to reconsider these proposals in the ways we have indicated. It is very clear to me that you have put a great amount of time, thought and consideration into a proposal that you intend to strengthen the corporate network and be of lasting value to all credit unions.

I want to see it work the right way, and I hope that my comments, along with those of my fellow credit union leaders, will assist you in making that happen.

Sincerely,



Timothy M. Kramer
President and Chief Executive Officer