

March 3, 2010

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

Dear Ms. Rupp,

I am a member and an employee of Peoples Choice Federal Credit Union. I am writing this letter to you in regards to the proposed Regulation 704 and the potential effects this regulation will have on capital requirements and fee structures for natural person credit unions.

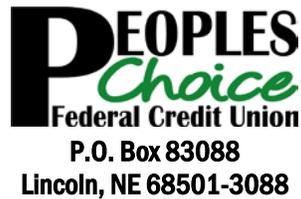
Peoples Choice Federal Credit Union became a member of Nebraska Corporate Central Federal Credit Union ("NCCFCU) on October 8, 1976. In early 2002, NCCFCU merged with Systems United Corporate (SunCorp) Federal Credit Union and we have been an ongoing and active user of SunCorp's services since then.

As a \$60 Million natural person community-chartered credit union with 13,200 members, we are concerned by the idea that proposed Regulation 704 would increase capital requirements and introduce a risk-based capital scheme in addition to stricter forms of capital. Corporate credit unions may also require capital as a condition of membership. Another issue is the requirement that capital must be depleted when needed to cover losses by a corporate credit union. Further, as proposed, Regulation 704 gives NCUA the authorization to also establish stricter capital requirements at their discretion.

The proposed NCUA Regulation 704 will result in price increases our credit union will have to pay to SunCorp, lower the dividend rates we receive, that in turn will be passed on to our members. Along with the new capital requirements of Regulation 704, we do not believe credit unions will support this business model and as a result, corporate credit unions will cease to exist and credit unions will be forced to find new providers for settlement services, likely from our competitors in the for-profit banking industry.

As an alternative, we would simply ask that the NCUA Board start over and offer more choices and more flexibility. In addition, allow corporate credit unions to assume some risk and higher return *OR* if the risk is to be reduced, require less return. As presented, it appears proposed Regulation 704 assumes it can prevent global systemic capital market failure and implies that capital investments and ownership are too risky. It is our opinion that risk should be managed, not eliminated.

Based upon the proposed Regulation 704, it appears likely that natural person credit unions will be required to convert 100% of our remaining Membership Capital Shares to a permanent capital basis. It also appears that permanent capital will be required to access SunCorp's services and any new contributed capital will have priority over our existing capital. While we believe in and support the corporate system 100%, our first priority is to the members of our individual credit union. As an organization, our Board of Directors may someday be forced to choose between the two.



Another area of concern in the ALM portion of proposed Regulation 704 is the limit that borrowing would be restricted to 30 days. This short time frame is very limiting and would be inefficient in certain market conditions. In reviewing an overview of areas addressed by proposed Regulation 704, only one percent was devoted to liquidity issues even though it impacts a critical amount of a corporate and natural person credit union day-to-day viability.

Based upon our services utilized and current account balances, our credit union pays approximately \$25,000 per year in processing charges and spreads on deposits on our accounts at SunCorp Corporate FCU. In order to meet the new 4% requirement included proposed Regulation 704, it is estimated our credit union would either receive less income and or pay higher fees in the range of \$6,000 to \$12,000 per year to meet the new requirements. As a \$60 Million credit union, this reduction of income or increase in expenses can and does make a difference in our bottom line and overall ROA.

We would recommend that proposed Regulation 704 would 1): allow for managed risk and require more capital or 2): eliminate risk, but require much lower levels of capital. In addition, we would suggest NCUA consider the allowance for increased portfolio diversification to ensure dependable liquidity sources.

We recognize that some changes are necessary with the existing NCUA Regulation 704 and we support these efforts. This includes the need for more capital, tighter Asset Liability Management (“ALM”) practices, more diversification of investment portfolios and more liquidity sources. On the other hand, we believe there are some inherently significant errors and questions raised by NCUA’s modeling techniques used in the proposed regulation.

On behalf of our 13,200 members, please accept my sincere appreciation for your efforts to address this most urgent topic and we thank you for your time and consideration.

Sincerely,

Cory L Podany  
Executive Loan Officer

CC. The Honorable Ben Nelson, U.S. Senator  
The Honorable Mike Johanns, U.S. Senator  
The Honorable Jeff Fortenberry  
Board of Directors, Peoples Choice Federal Credit Union