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March 4, 2010

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

Re: Comments on Proposed Changes to the Corporate System

Dear Ms. Rupp:

Consumers Credit Union (CCU) would like to thank NCUA for allowing credit unions the opportunity to comment on the state of the Corporate Credit Union system and to address the concerns / options available to NCUA. The participative process being proposed is at the foundation of the credit union movement. The intent of this letter is to document our credit union's perspective on the ANPR.

General Comments

Consumers Credit Union has a number of general comments that should be considered prior to evaluating the changes to the regulation.

First, as a large credit union, Consumers does not need the corporate system to be competitive in our industry. However, we recognize the need for corporate credit unions for smaller credit unions. As a result, a restructured corporate system with greater operating efficiency is needed.

Second, before contemplating recapitalizing the system, NCUA must address the legacy assets and remove them from the balance sheets of the corporates. Any future gains on these assets should be rebated to natural person credit unions who suffered capital share losses (PIC / MCA) since we have funded the losses ***and*** the recapitalization of the share insurance fund. ***The gains on the securities should be given back to the credit unions based on the pro rata capital share investment from each corporate.***

Similarly, any gains from Members United's securities should be given first to the capital share holders of Members United ***who are federally insured***. The privately insured credit unions should ***not*** get these funds since they are ***not*** paying for the share insurance assessments or the corporate stabilization plan. This must be addressed prior to our evaluation of any proposed recapitalization.

Third, NCUA needs to commission a study to evaluate the merits of consolidating the corporate system by an independent third party prior to implementing the rule changes or addressing the legacy assets. All credit unions need to know exactly the impact on rates, fees and required

capitalization if the corporate system remains the same or consolidates to a range of corporates with an evaluation if only one corporate existed.

Our members are being negatively impacted as a result of these assessments; in that light, encouraging "business as usual" is disheartening. I can't imagine recommending to our Board of Directors a recapitalization plan with the same number of corporates as are in existence today without the benefit of such a study.

As previously mentioned, Consumers Credit Union does not depend on or "need" the corporate system. At the same time, we recognize the place for corporates in the credit union system, provided subsequent restructuring addresses the issues outlined above. We believe our support and the support of other large credit unions, is critical to the success of the proposed corporate recapitalization.

Capital Requirements

First, we fully support the concept of risk based capital and would like to see this fully implemented. The last 18 months has shown us some corporates had excessive credit risk that was not being disclosed from a capital ratio perspective.

Second, the time frame to meet the capital requirements seems unduly short, especially when evaluating the undercapitalized corporate credit unions. We suggest a timeframe of three years before the capital requirements begin to take effect. Natural person credit unions are struggling and have little appetite for risk in the corporate system.

Third, the concept being advanced is removing the cap on capital shares and other forms of capital. At Members United, we have a cap of $1.5 million to be a capital shareholder regardless of our asset size. Any attempt to increase this cap will not be acceptable. Increasing the cap will only reduce our appetite for recapitalizing the system. The capital problem can largely be fixed via consolidation and addressing the legacy assets.

Fourth, we do not believe capital contributed by corporate credit unions should be counted as part of their regulatory capital. This can artificially inflate capital levels and expose natural person credit unions of the contributor corporate credit union to the problems of another corporate. In addition, this will only slow down the required consolidation of the industry, an approach that's completely counterproductive.

Fifth, NCUA needs to be careful regarding their influence over the allowed rate of return for PCC and NCA. The last 18 months have shown us the risk/return relationship was not in alignment for PIC and MCA; if the offered returns are in the same range, many credit unions will not make a capital investment. A market-based approach should be allowed for capital contributions so investors get rewarded based on the inherent risk in the corporate balance sheet.

Board Governance

First, we completely agree that board members of corporate credit unions need to be a CEO, CFO or COO of a member institution and can't come from a trade association.

Second, we also agree that a term limit of six years is acceptable and should allow enough turnover to balance experience with the knowledge and ability required to question the management. It is clear that board governance did not work effectively in the existing corporate system.

Third, we do not agree on disclosing the compensation of the executive staff of corporate credit unions. For example, a national corporate could be over $100 billion in assets and this salary should be significantly higher than the average credit union salary. If the governance piece is functioning properly, salaries will be controlled and performance improved. We do not want corporates to hire management based on a salary limitation, as that approach could result in some critical knowledge or experience deficiencies.

Investments

First, the two year weighted average life seems too short to produce returns that are acceptable to natural person credit unions. We recommend an increase to four years to allow for higher returns. If the corporate investment returns are not acceptable, many credit unions could turn to the open market and purchase riskier investments, thereby reducing their safety and soundness.

If the corporate system were consolidated, the industry could employ highly talented investment personnel who could understand and manage the risks. Most natural person credit unions could not afford this expense. In addition, NCUA would have an easier resource allocation, since their investment / risk experts could focus on the corporates and not 7,000 plus credit unions.

Second, we believe the failure of the corporates was from credit risk rather than interest rate risk. The rule does not adequately address current and future credit risk monitoring of corporate investments. Finally, corporates should not be allowed to lend funds to non natural person credit unions; clearly, the Members United loan to Central States Mortgage was neither priced nor monitored properly.

The final rule will have a dramatic impact on the viability of the credit union system. The regulation must ensure that smaller credit unions have the ability to compete with larger institutions. In order for this to occur, large credit unions must recapitalize the corporate system. We highly recommend NCUA conduct a study to evaluate the impact of consolidation. Absent this study, we fear capital levels in PCC and NCA will be inadequate forcing corporates to implement inferior pricing while advancing the demise of smaller credit unions.

Once again, thank you for the opportunity to communicate our position and we look forward to a balanced resolution and a return to a more "normal" operating environment.

Sincerely,

Sean M. Rathjen
President / CEO

cc: Consumers Cooperative Credit Union's Board of Directors
Illinois Credit Union League
Credit Union National Association