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March 5, 2010

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

Re: Proposed Regulation 12CFR Part 704

Dear Ms. Rupp:

My credit union appreciates the opportunity to weigh in on this important proposed change to Part 704. As a credit union that had to write down my WesCorp capital in a year when we were already suffering losses, I am acutely aware that we cannot afford to ever be put in such a vulnerable position again. Thousands of credit unions rely on their corporate credit union for settlements and fee based services, short and long term liquidity needs, as well as investment services. Obtaining these services from providers elsewhere is likely to come at a high cost and many credit unions will suffer. On the other hand, we cannot afford the mistakes of our past. In broad general terms, I understand what your proposed regulation is attempting to accomplish and agree with mitigating future unnecessary investment risk.

I believe corporate credit unions should focus on providing settlement services and meeting short term liquidity needs. I also believe that consolidation of the corporate network will be essential in order to have the necessary scale and volumes to offer these services at competitive rates. Our credit union operates with a high loan to share ratio, so liquidity and settlement services are much more important to us than investment management. In my opinion, it would be much easier to sell the idea of recapitalizing a corporate credit union if I knew the investment risks had been limited, and the oversight and transparency issues were resolved. As the chief regulator under whose watch this calamity occurred, my hope is that once we've effectively overhauled this regulation and mitigated future investment risks, you'll be vigorous and transparent in your dealings with corporate credit unions in the future.

Here are a few specific comments regarding this proposed rule:

704.3 – Capital. Moving to a BASEL I structure for capital requirements makes good sense, but still is no guarantee against an extreme economic downturn like the one we've been experiencing. Therefore, additional measures may need to be used in conjunction with BASEL I.

704.5 – Credit Ratings. Instead of the proposed 90% limit on investments that must be rated by at least two nationally-recognized rating agencies, I would recommend 75%.

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704.6 – Credit Risk Management. I would recommend that the management of asset concentration limits needs to be under the purview of the corporate credit union Board of Directors ALM policy requirements, rather than a regulatory requirement.

704.8(c) – Penalty for Early Withdrawals on Corporate Certificates. The current rules benefit both NPCUs and CCUs regarding liquidity and interest rate risk management. We don't believe the new rules are necessary and may actually force credit unions to invest in other instruments outside the corporate system.

704.8 (e) and (f) AL NEV Stress Testing. This rule needs to be revised to allow corporate credit unions a less restrictive shock for credit and a reduced limit for prepayment speeds. Under this new rule, I fear that corporate credit unions would be unable to generate sufficient margin earnings to build retained earnings that would meet the proposed capital requirements.

704.8 (h) – Weighted Average Asset Life (WAL). I believe that limiting WAL on assets to two years is too restrictive and limits a corporate credit unions options in investments that may be prudent. Consider allowing this to be a Board ALM policy rather than regulation.

704.9 – Liquidity Management. The proposed rule allows well-capitalized Corporates to use secured borrowings for non-liquidity purposes, and that such borrowing is limited. Further, we recommend that adequately-capitalized corporate be permitted to borrow for non-liquidity purposes, but with some level of restriction.

704.14 – Corporate Governance. I believe ensuring that the Board members have the requisite skills is essential. Term limits are a good thing, but suggest changing to 10 years rather than 6. There should also be some required training for all board members on a regular basis, in order to stay abreast of changing trends and practices.

704.19 – Disclosure of Executive and Director Compensation. The level of disclosure being recommended could cause problems in obtaining appropriate expertise for a corporate credit union. I would leave this responsibility to the Board of Directors. However, if disclosure of compensation is required, it should be included in regulatory year-end filings rather than a separate disclosure to membership.

In summary, while it is evident that this rule corrects many of the issues that created the current crisis in the corporate credit union network, I remain concerned that the cure could be almost as bad as the illness if corporate credit unions are placed at a competitive disadvantage with correspondent banks or other players. Natural person credit unions may be forced to seek services elsewhere.

I appreciate the opportunity to provide input on this important regulatory proposal.

Sincerely,

A handwritten signature in cursive script that reads "Mary Cunningham".

President/CEO
USA Federal Credit Union