Community Credit Union

For every financial season.

February 15, 2010

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

RE: Proposed Regulation 12 CFR Part 704

Dear Ms. Rupp:

I understand the NCUA Board has drafted a significant proposed regulation, which is directed at the nation's Corporate Credit Unions. But ultimately, this proposed regulation will affect a large number of natural person credit unions, like us. Many of us are small institutions and depend upon the services offered by the corporate system for our survival.

I believe there are some major limitations in the proposed rule that cause me a number of concerns, mostly over 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 the Missouri Corporate Credit Union that we are a part of with other Missouri natural person Credit Unions.

Here are my primary concerns:

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 our credit union and forced expense reductions that will adversely impact the level of service and support that my credit union needs to survive.

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Additional expenses is not what our credit union needs at a time when we are faced with smaller margins, lower investment yields, higher delinquencies and increased costs overall. The rule should be revised to allow for Missouri Corporate Credit Union to make sufficient income from the balance sheet to grow and invest in innovation for the benefit all its member credit unions, while exercising an acceptable level of credit and interest rate risk.

I look to Missouri Corporate Credit Union 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 my ability to obtain term liquidity if our Credit Union needs it. Again, that means I will have to look elsewhere. We are not willing to join the FHLB and put capital with them as well as with Missouri Corporate. I am also unwilling to go to a bank for expensive funding- but that may be our only choice.

704.6 (c) & (d) Concentration Limits:

Under the current proposals for concentration limits, Missouri Corporate will 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 Missouri Corporate Credit Union- something we simply cannot afford. 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.

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

We understand why a limit ought to be placed on the aggregate investment in Missouri Corporate that comes from our Credit Union. That seems reasonable and 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 corporate to maintain larger cash balances, which would likely be detrimental to earnings. We are concerned that this proposal may limit Missouri Corporate's ability to provide our Credit Union with reasonably priced short-term liquidity.

We 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 of 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.

Our Credit Union is a $80 million institution that relies considerably on Missouri Corporate for [illegible]. It is clear the NCUA Board and others have [illegible] in drafting this proposal and that your intent is to strengthen the corporate network to help the smaller natural person credit unions around the country.

We urge you to [illegible] credit unions around for another [illegible] years.

Sincerely,

Judy Hadsall

Judy Hadsall
Pres/CEO

Cc; Kam Reed, chairman of CU Community Credit Union

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