La Capitol
FEDERAL CREDIT UNION

March 3, 2010

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

Ms. Rupp,

We would like to express appreciation to the NCUA Board for allowing comments on the proposed corporate credit union regulation, which would make major revisions regarding corporate credit union capital, investments, asset-liability management, governance, and credit union service organization activities.

I am the Executive Vice President & CFO of a Louisiana credit union with $405 million in assets and membership in Southwest Corporate. We currently serve 55,000 members and use Southwest Corporate for our Fed settlement services, remote deposit, liquidity needs and investments. Our comments are as follows:

704.3 Corporate Credit Union Capital – The 1-Year Transition Period to Meet New Risk-Based Capital Ratios

While supporting more stringent capital requirements, we recommend that corporate credit unions be given a more reasonable amount of time to build capital. It is also critical to our credit union that any new contributed capital be protected from future impairment losses on existing non-agency residential mortgage backed securities. We propose that corporate credit unions have two years from the effective date of the regulation to meet their leverage ratio requirements and NCUA implement a legacy asset solution in order to legally isolate all new member contributed capital from potential future impairment losses caused by currently existing legacy assets.

704.6(d) & (e) – Sector Concentration Limits

We propose that paragraph 704.6(e) be amended in order to reduce the aggregate investment limit applicable to subordinated securities, from the lower of 400% of a corporate's capital or 20% of the corporate's assets, to the lower of 200% of the corporate's capital or 10% of the corporate's DANA (*i.e., rather than 10% of the corporate's assets*).

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704.8(e) – Cash Flow Mismatch Sensitivity Analysis

The NEV stress tests, WAL limits on assets, and limits on asset/liability mismatches would severely limit a corporate credit union's ability to generate earnings. We would recommend a 100 or 200 bps credit spread shock and the use of different credit spread shocks for different investment sectors. A limit of 30% or 35% for the decline NEV following a rate shock would seem more reasonable.

704.8(h) – Weighted Average Asset Life

The proposed 2-year weighted average asset life limitation for a corporate credit union's investment portfolio could significantly restrict a corporate credit union's ability to generate earnings and meet the retained earnings requirement of the proposed regulation. Paragraph 704.8(e) limits the weighted average life of a corporate credit union's assets, based on the weighted average life of the corporate credit union's liabilities. The 2-year weighted average asset life limitation could handicap corporate credit union's by limiting their ability to make full use of 704.8(e) limits in situations where the corporate credit union's liabilities had lengthened.

Thank you again for the opportunity to comment on the proposed regulation.

Sincerely,

Michael Hooper, CPA
Executive Vice President & CFO
La Capitol FCU

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