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ArrowPointe
FEDERAL CREDIT UNION

March 5, 2010

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

Subj: Response to Proposed Rule for Corporate Credit Unions (12 CFR Part 704)

Dear Ms. Rupp:

ArrowPointe Federal Credit Union appreciates the opportunity to comment on the proposed changes to NCUA Regulation Part 704. ArrowPointe FCU is a $100+ million dollar natural person credit union located in Rock Hill, South Carolina primarily serving members in York and Lancaster Counties, SC and an underserved portion of southeast Chester County, SC. We support a regulatory environment that does not allow excessive risk-taking, however, a viable corporate credit union system needs to allow for some managed risk-taking to be able to add any value to its members. The proposed regulation as written, will reduce corporate credit union liquidity, restrain the ability to build retained earnings, and hamper the corporate's capacity to manage risk. There are numerous changes proposed that we believe will improve the safety of the system, however, there are several sections of the proposed regulation that, without modification, will remove any value a corporate can provide to us. We do not believe that the proposed regulation, if passed as is, will provide a framework for a viable corporate credit union system. Our comments and, as appropriate, our recommendations on the proposed changes to Regulation 704 are provided below.

1. Extinguishment of Capital:

   ArrowPointe has written off over $500,000 in capital because of "potential" losses at US Central FCU. At the present time, these are only paper losses and are an estimate of what the "value" or "loss" amount of the underlying private mortgages will be at some point in the future. The actual loss may be far different than what is projected but there is a chance it could be fairly accurate. But why should US Central benefit from someone's calculation of what the loss may be and why should ArrowPointe not be allowed to recoup the difference (if the actual loss is less than the estimate)? Extinguishment of capital as interpreted and mandated by NCUA is unfair. Recoveries on bonds that were written down and impacted the capital owners, should be returned on a pro-rata basis to the capital owners as opposed to be a windfall to the corporate credit union's capital.

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2. Liquidity – 30 day maximum borrowing term

   There is a proposed 30-day limit on term borrowing and is generally restricted for liquidity purposes only. The corporate could not match fund any term loan request from the credit union which would negatively impact the corporate's interest rate risk. This negative impact may reduce our access to term borrowing from our corporate.

   Borrowing for "liquidity purposes" should include both the needs of the corporate and its member credit unions. To manage its balance sheet to provide needed liquidity to its member credit unions, the corporate must have the resources to do so. Therefore, there should not be a borrowing term limit when the corporate is borrowing for its own liquidity or that of its members.

3. Callability of Perpetual Contributed Capital (PCC)

   The proposed regulation requires prior NCUA approval to redeem or call a portion of member PCC. Similar to the "reg flex" rules, corporates should be allowed to redeem/call PCC at its discretion, so long as it exceeds all minimum capital ratio requirements.

4. Term certificate redemptions

   Currently, early redemption of share certificates at our corporate are subject to market value gains and losses. The proposed regulation is written such that if we were to redeem a share certificate early, we may do so only at either book value or at a market loss. If there were to be a gain, then we are penalized by not being allowed to share in that gain. If the final rule is written this way, this credit union would no longer be making share certificate investments with our corporate as their certificates would be less-liquid than other instruments. Not being allowed to share a market gain penalizes the credit union. We should be allowed to share in the market gains just as we would have to share in the market losses.

5. Director Term Limits

   There is a proposed term limit on directors for the corporate board of six years. Due to the complexity of the corporate's balance sheet and the need for some longevity, we would recommend setting the term limit at nine years instead of six.

6. Effective phase-in timeline for the new regulatory guidelines

   As with most regulations, there are many provisions that if enacted as is, will place our corporate out of compliance immediately. Everyone will need time to make the necessary changes to meet the final regulation. There needs to be some minimal amount of time given to comply with all sections of the new rules. Since our corporate is operating under an agreement with the NCUA in exchange for a

NCUSIF share guarantee, there is minimal risk in providing an appropriate transition period for the corporate to comply with the changes in their final form.

Summary

This past year has played havoc with ArrowPointe's balance sheet and income statement as it has for all credit unions. This cannot be allowed to happen again and we believe that is the intent of the new regulation. However, in its current form, we do not feel this create an environment where our corporate could no longer be viable. For our corporate to provide value to us, they should be allowed to manage some risk in their balance sheet and the proposed regulation seems to try and eliminate all risk. With revisions, the new regulation can be a good tool to safeguard the credit union system.

Kindest Regards,

Timothy Lyda

Tim Lyda
CEO

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