March 05, 2010

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

Dear Ms. Rupp:

I appreciate the opportunity to provide feedback to the National Credit Union Administration (NCUA) on the proposed regulations on corporate credit unions. My personal credit union career has spanned the entire life existence of corporate credit unions and I will tell you as a matter-of-fact that maintaining some type of corporate credit union structure is imperative for the future of all natural person credit unions. Therefore, the decision at hand is perhaps the most important decision ever made in the history of credit unions.

To begin with, I strongly feel the NCUA needs to allow an addition comment period once the decision regarding legacy assets is finalized.

Legacy Assets: The legacy assets in the entire combined corporate investment portfolio subject to risk needs to be removed to an existing corporate credit union and wrapped (insured) by the National Credit Union Share Insurance Fund. (NCUSIF) Failure to remove these legacy assets from the current investment portfolios will make seeking additional capital contributions from natural person credit unions impossible. Should the NCUA not provide a plan for legacy assets, the remainder of the current proposal has no merit, and is certain to fail.

Corporate Capital: New capital subscriptions would be forthcoming as soon as possible once the legacy assets were cleared. The remaining corporate entity would determine the level of subscription necessary for current and potential regulation. All members would be required to fund a permanent capital account. I would further suggest that this be accomplished over a 3-5 year phase in period.

Corporate Structure: I visualize the "new" corporate structure to be one corporate credit union to be utilized for all payment functions and investment opportunities. The corporate credit union would be centralized in the United States with four regional offices throughout the country. The four regional offices would function as call/contact centers for natural person credit union needs and of course as a "back up" for data retention for the main location. Account relationship personnel would also function out of these "five" locations. In other words, there would be one

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corporate to capitalize, with four additional locations to provide services to natural person credit unions throughout the country. The economies of scale gained and the cost structure reduction due to combining the payment systems would be very advantageous for all concerned.

Natural person credit unions need the payment systems to remain a function of corporate credit unions. Natural person credit unions need "investment" opportunities within this system. For investment opportunities, I would personally suggest something similar to Balance Sheet Solutions, LLC, currently operating as a CUSO under Members United Corporate FCU. BSS, LLC, functions quite well, and, I must add-this is important-at a profit.

Corporate CU Governance: The governance of the new corporate would be determined by the members with one exception. I visualize a structure of eleven directors with two coming from each of the "five" corporate locations throughout the country. The "one" exception is that one director would be appointed by the NCUA to serve on this board-making a total of eleven directors. Each regional location would establish a Regional Board to foster representation from each geographic area. This Regional Board would be responsible for nominating potential directors on the corporate board as well as overseeing to a degree operations and policies in the regional locations. Directors would serve three year terms with no term limitations other than the NCUA appointed director, whom would serve a maximum of six years. Other than the NCUA appointed director, all directors would be natural person credit union CEO's. The Supervisory Committee would be appointed by the parent board with one representative coming from each of the five regional locations. Again, no term limitations would be required.

I find it extremely troubling that the NCUA would mandate term limits in a democratic organization! I also don't feel as if I'm alone on this thought.

I also find it troubling that the NCUA would require disclosure of senior management compensation. With all of the massive issues at hand, I have no idea why this is in anyway important to our situation.

Generally speaking, I find the opportunity at hand not nearly as confusing as many are making the situation to be.

1. America's credit union's need a corporate structure moving forward.

2. The NCUA needs the corporate structure in order to promote a payment system/investment opportunity that is within the credit union system. I trust the NCUA has considered the enormous potential risks when the necessary functions, including investments and liquidity challenges, necessary for a natural person credit unions are not centralized within the corporate structure.

3. The legacy assets must be removed from the current structure in order to regain confidence in the system, and certainly prior to reestablishing capital deposits.

4. A plan needs to be in place to redistribute income from the recoveries (less losses) of all

instruments that have been subjected to OTTI to all natural person credit unions. Additionally, some type of unique reimbursement needs to be provided to all natural person credit unions that have lost paid in corporate capital in the current environment. I trust the NCUA has considered what would have occurred to the NCUSIF had membership capital at the corporate level not been in place. Therefore, some type of recovery plan must be in the new proposal. It's a simple fact that much of the OTTI could be realized as a gain at some future point.

Thank you for the opportunity to comment on the proposed regulations. Please contact me personally should you have any questions regarding this correspondence.

Sincerely,

Michael H. Phipps

Michael H. Phipps
President/CEO
Evansville Teachers Federal Credit Union

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