

## ALABAMA TEACHERS CREDIT UNION

702 WALNUT STREET P.O. BOX 1400 GADSDEN, AL 35902-1400 PHONE (256) 543-7040

March 2, 2010

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

Dear Ms. Rupp,

Thank you for seeking input concerning the proposed corporate credit union regulation. I would like to give some thoughts concerning each issue on behalf of Alabama Teachers Credit Union.

**Proposed regulations 704.3(c) Perpetual Contributed Capital.** As stated, the proposed regulation allows for the possibility of conditioning membership and services on a credit union's purchase of permanent capital. As a condition of membership, this could potentially require a natural-person credit union invest in a corporate credit union that may not be best qualified to manage the members' funds. It is for that reason that Alabama Teachers encourages the prohibition against conditioning membership/services on the purchase of permanent capital to remain in the regulation. We should not allow a requirement such as this to subject credit unions to the impact of the potential loss of access to a payment system.

**704.3(c)(3) Perpetual Contributed Capital Call Feature.** As stated, the proposed regulation would require an unnecessary approval from NCUA for a corporate to exercise the call feature for perpetual capital. It is my opinion that this decision should remain with the issuing corporate. These proposed regulations would ultimately allow the federal government unnecessary additional control of the corporate credit union system. That decision should lie solely in the hands of the corporate and natural person credit union.

**704.3(d)(4)(v) Increased Individual Capital Requirement**

**704.3(e)(3) Disallowing Capital from Inclusion in Ratios**

**704.4(d)(3) Lowering the Capital Category**

**704.4(d)(3)(ii) Lowering the Capital Category based on Ratings**

**704.4(d)(4) Lowering the Capital Category for Good Cause.** These proposed regulations allow the Director of the Office of Corporate Credit Unions (OCCU) an exceptional amount of unnecessary authority. Specifically the proposed 704.3(d)(4)(v) appears to limit the power of the corporate and increase the power of the Director of OCCU, allowing OCCU the power to increase capital requirements for individual corporate credit unions. It further restricts corporate(s) by allowing no appeals process. The proposed 704.3(e)(3) provides authority to the Director of OCCU to decide if capital accounts should be discounted and not included in capital ratios.

No NCUA employee should be granted the power to decide if a single capital account will or will not be included in the governing capital ratios if the capital account meets the requirements contained in the regulation. No single Director of OCCU should be provided the power to unilaterally change the capital category of a corporate credit union, as proposed in 704.4(d)(3), 704.4(d)(3)(ii), and 704.4(d)(4).

**704.4(e)(5) Submission of a Capital Plan.** This provision would allow the OCCU the power to subject a corporate credit union to the restrictions reserved for significantly undercapitalized corporate(s). The power of the OCCU should be limited and specific.

**704.4(k)(1) Payment of Dividends.** This proposed regulation would limit the ability of a corporate credit union that has been deemed undercapitalized from paying dividends on capital accounts. These limitations should be placed on corporate(s) that are significantly or critically undercapitalized as defined by certain specific ratios / criteria.

**704.4(k)(2)(v) Powers over Undercapitalized Corporate(s).** This proposed regulation would provide NCUA power for any corporate deemed undercapitalized. Many decisions that would be made by the elected boards of corporate credit unions would be given to NCUA. The NCUA certainly should have oversight with these credit unions. However should we allow NCUA the Director of the OCCU the power to fire any employee and/or remove any board at existing corporate credit unions?

**704.4(k)(6)(ii)(C) Charter or Bylaws for State Chartered Corporate(s).** This proposed regulation would allow NCUA the power to preclude a bylaw change for state chartered corporate(s). Are the current state regulatory agencies incapable of overseeing such changes? Maybe NCUA could offer input but yet work with the state regulatory agency.

**704.8(e). Average life mismatch modeling.** This proposed regulation would force corporate credit unions to invest in short-term securities and reduce their position with government-backed bonds. This would also force corporate(s) to invest in short-term securities WITH credit risk instead of government-backed bonds with only limited risk. Perhaps a better option would be to require average life mismatch modeling on securities with credit risk weighting of 20% or less.

**704.8(h) Two-year average life.** Many of the appropriate securities for corporate credit unions have a weighted average life in excess of two years. Securities such as SBA and FFELP student loan securities which provide the best option for excess liquidity because they provide virtually no credit risk, low liquidity risk, and no interest rate risk. However, they have weighted average life in excess of two years. This proposed regulation will actually increase credit risk at a time when credit risk should be minimal.

**704.8(k) Deposit Concentrations.** This proposed regulation limits funds from any one source to no greater than ten percent of a corporate(s) assets. This regulation will ultimately force funds out of the credit union system. It would further penalize those corporate(s) that acted in a prudent manner with their member's funds, and deny natural-person credit unions the ability to invest in institutions they have concluded are safe and sound financial institutions.

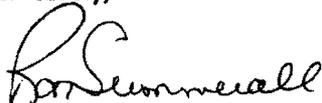
A more reasonable solution to meet the objective is the deposits from one source be limited to the greater of ten percent of a corporate's assets or one hundred percent of a corporate(s) assets that carry a risk weighting of 20 percent or less. This would ensure that deposit concentrations are invested in high quality, liquid assets.

**707.4 Prompt Corrective Action** – Corporate(s) should be required to disclose their capital category. The proposed regulation would hide pertinent information concerning financial strength of the corporate from its members/owners.

While I am certainly concerned as to the current financial status of the corporate credit union system as a whole (although I am proud of the financial status of my own corporate "Corporate America"), and; realize that additional checks and balances must be put into place. I feel that too much authority placed on the Director of OCCU and in some instances, the NCUA Staff could also have a tremendous adverse affect. Changes must occur; however, these changes need to be implemented so as to better control the corporate credit union network while; at the same time allow this network to serve its intended and useful purpose. That purpose is to assist the natural person credit union industry better serve its members. I respectfully request you review these proposed changes to determine if implemented, how will the corporate credit union industry as well as natural person credit union industry, be better.

Alabama Teachers is heavily dependent on its correspondent relationship with Corporate America Credit Union. Daily, we utilize many of their services that would / could come from a bank but those services would come with excessive fees and carry a lack of genuine concern for the best interest of Alabama Teachers. We need a safe yet effective Corporate Credit Union System.

Sincerely,



Ron Summerall  
President & CEO