

Date *3 March 2010*

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

RE: Proposed Regulation 12 CFR Part 704

Dear Ms Rupp:

I appreciate the opportunity to provide input to the NCUA Board regarding the proposed revisions to the regulations that govern corporate credit unions. Although the proposed regulation is directed at the nation's corporate credit unions, this regulation will affect almost all natural person credit unions. My credit union, located in Billings, Montana, is a member of Treasure State Corporate Credit Union. Treasure State Corporate Credit Union is viewed as one of our critical strategic partners. As a member-owner I believe that I should comment on a proposed regulation that will ultimately affect my credit union and the members we service.

It is my opinion that some of the proposed revisions will have a direct impact to my credit union and, in turn, will impact my members. There are sections of the proposed rule that if approved, will force my credit union to seek alternatives, which could prove to be more costly and certainly more unreliable, than utilizing the products and services of Treasure State Corporate Credit Union. These products and services have allowed my credit union to not have to utilize the entities that we compete against.

In reviewing the proposed regulation, I would like to comment on several issues. The proposed regulation requires a corporate to meet a 0.45% retained earnings ratio by the end of three years; 1.00% after six years; and 2.00% after ten years. The new 4% leverage ratio must be met within 12-months after implementation of the regulation. Only retained earnings and perpetual contributed capital can count towards meeting the leverage ratio. In the current economic and interest rate environment, it seems unrealistic for the retained earnings portion of the leverage ratio to be met. The majority of the corporate credit unions have zero or minimal retained earnings due to the depletion of their capital investments at U.S. Central or losses attributed to their own investment holdings. As the majority of net interest income for corporate credit union is generated

from investments and not loans, this makes the periodic benchmark difficult to achieve. Additional time to achieve the periodic benchmarks for the retained earnings portion of the leverage ratio needs to be considered. I would recommend that the leverage ratio requirement should be effective three years after the regulation is approved instead of one year. And, the periodic benchmark to achieve the retained earnings portion of the leverage ratio should be changed to four, eight and twelve years.

The proposed regulation does not address replenishment of member contributed capital. The NCUA should allow in the regulation a mechanism where NCUA and corporate credit unions can return capital back to existing capital holders if actual losses on investments in which OTTI has been taken are less than projected and a corporate meets all regulatory capital standards. NCUA should allow for the same accounting treatment as national standards and not permanently deplete credit union capital based upon projections.

Treasure State Corporate Credit Union has always had good representation on the board of directors from credit union officers representing all asset levels. The proposed term limits for directors of six consecutive years is too restrictive. A corporate credit union's operations are significantly different than a natural person credit union and it takes time to thoroughly understand. In addition, our corporate, which represents 58 member credit unions, has a smaller pool of potential volunteers. I believe that the term limit should be increased to nine consecutive years rather than six or completely be eliminated.

The final section I would like to comment on is the penalty for early withdrawal of certificates. The proposed regulation eliminates the ability for a corporate to redeem an outstanding certificate at a premium price. This would partially eliminate the current attractiveness of a corporate certificate because it would eliminate my credit union's ability to turn that asset into cash when needed. This will place my corporate credit union at a competitive disadvantage as well as reduce their longer term deposits. I believe that the current regulation should stay in place and if necessary, define a mechanism for how a gain should be paid.

I appreciate the opportunity to comment on the proposed revisions to regulation 704. Our credit union views Treasure State Corporate Credit Union as a strategic business partner. As one of the 7,700 credit unions which serve over 91.3 million members, it is important that we get to have voice in the direction of the corporate system which will ultimately affect the natural person credit unions.

It is evident in the 253 page proposal revision NCUA has put a lot of thought and consideration into this proposal. I believe that it is important to strengthen the corporate

network. But, I want to see my corporate be given every opportunity to continue to provide valuable products and services to my credit union.

Thank you for the opportunity to comment on the proposed revisions to regulation 704.

Sincerely,

Deborah D. Willis
Board Member
Big Sky Federal Credit Union
612 Beverly Hills Blvd.
Billings MT 59102

Cc: file

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