



FEDERAL CREDIT UNION

Information Technology Center ■ 24 McKinley Avenue ■ Endicott, NY 13760-5491 ■ (607)754-7900 ■ FAX (607)754-9772
Credit Union Center (607)786-2000 ■ FAX (607)786-5718

March 4, 2010

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

Re: Comments on Proposed Rule on Corporate Credit Unions 12 CFR Part 704

Dear Ms. Rupp and Members of the NCUA Board:

I am writing on behalf of the Board of Directors and management team of Visions Federal Credit Union which is headquartered in Endicott, New York and serves 124,000 members in southern New York and northern Pennsylvania.

I have been in the credit union movement for a very long time and supported the creation of the corporate system since I would rather see credit unions invest in each other (corporates) than directly with banks whose trade organizations seem to constantly attack us. Despite this, I remind you that my board and I are ultimately responsible to do what is best for our members. I do not think the new corporate system designed in your proposed regulation will be an attractive or useful investment alternative for many credit unions.

I think the new regulation will in fact regulate corporate credit unions right out of business - because you will make them unable to compete in today's world by structuring them in such a way that makes their offerings unattractive, and the regulation exacerbates the situation by setting capital targets that are too aggressive. The regulation should be rewritten to allow more off balance sheet concentration.

Our specific comments:

Proposed Amendments to Part 704 Capital Rules

We must object to dropping the prohibition against the corporates requiring capital contributions from natural person credit unions to obtain services, even though the regulation kindly allows this new paid in capital to receive precedence in payment over previous paid in capital. Our credit union learned from the Capital Corp debacle in the 1990's, and has avoided buying capital shares. Many of the local credit unions in our area, and we know throughout the country, have lost 60-100% of the capital share investments - some totaling millions of dollars because of the recent corporate mess - yet now we would be forced to reinvest to "save" the system. Also, an argument can be made that such capital share investments should be immediately impaired and written down to no value. This plus the fact that the NCUA can conserve a corporate credit union whenever it wants which ultimately results in lost capital share investments.

Please ask yourselves this: Would you purchase a Chevrolet automobile if you were required to purchase 1,000 shares of General Motors common stock as a condition of the purchase? Would you still purchase the Chevrolet automobile if there was further restriction on the common stock where you could not sell the stock unless you gave a five year notice to General Motors? Would you still purchase the Chevrolet automobile if you know that a government regulatory agency could take action against General Motors at any time and for any reason that subsequently eliminates the value of the common stock resulting in a loss of investment? Further, would you still purchase the Chevrolet automobile if you knew that the action taken against General Motors is found to be incorrect and the loss of the common stock cannot be recovered? We do not think that any prudent person would purchase a Chevrolet automobile given these restrictions. So we ask this - why should a natural person credit union be required to do so? Such a contribution would not be an investment, it would be a DONATION.

704.3

We are in agreement that new capital measurements are necessary and generally agree with the adoption of the three tiered measurement approach that is used by the banking industry. We agree with the use of Daily Average Net Assets (DANA) for Tier 1 and Daily Average Net Risk Based Assets (DANRA) for Tier 2. We agree in the elements used to calculate the Tier 1 core capital of retained earnings and other permanent forms of capital. This will give a truer picture of the financial health of each corporate credit union. However, the banking capital measurement model is also flawed, evidenced by the increasing number of bank failures by banks that were considered "well capitalized" a short time ago. Although we do not propose a measurement standard different than what is being proposed by the NCUA, we ask that NCUA recognize the limitations of this capital measurement technique. Further, we recommend that NCUA examiners be sufficiently trained to fully understand the measurements and be diligent enough to examine the details within the risk weighted components. In practice, it is easy to intentionally classify a high risk asset as a low risk asset so that a better capital ratio results.

704.3(d)

We agree that the NCUA should have the right to require additional capital if the circumstances warrant such drastic action and find the guidelines for such action to be prudent.

Proposed Amendments to Part 704 – Prompt Corrective Action

704.4

The current phase in schedule, albeit reasonable on first glance, may be too aggressive if the intent is to allow the corporates to survive. Perhaps tailored recapitalization plans with goals set with 1, 3, 5, 7 and 10 year benchmarks may be more reasonable. Achieving the new leverage ratio in three years seems the toughest goal to meet considering that 18 corporates, according to your own data, *currently have \$0 retained earnings*. We feel your estimates of a .17% earnings on other income to achieve the proper capitalization over 5-6 years seems overly optimistic since in other parts of the regulation you are curtailing the activities a corporate's CUSO can now do.

Proposed Amendments to Part 704 - Investment Limitations

704.5

We still agree corporates should not be limited to the same investment authority as a natural person credit union, but some investments need to be prohibited if NCUA will continue to offer any insurance guarantee or support to the corporate system. This includes the new prohibitions on CDOs and NIM securities, and restrictions on subordinated structured securities. The new capital requirements needed to acquire expanded investment authority are reasonable as are the concentration sublimits, but we would advise the Board to be flexible in its rulemaking in case new limits are needed for a financial device not now in existence.

Proposed Amendments to Part 704 - ALM Provisions

704.8(c)

We are concerned about the change to early withdrawals on corporate certificates. Natural person credit unions use corporate credit union CDs as an integral part of investment and liquidity management. Current corporate credit union CDs are an investment option to bullet agency securities, largely due to the ability to redeem the CDs at a premium if favorable market conditions exist. Removal of the potential for a premium will make corporate credit union CDs an unattractive investment option, which will reduce the amount that credit unions will invest with corporate credit unions. Ultimately, this will result in less liquidity in the corporate credit union system.

704.8(h)

We do not understand the prohibition that the weighted average life (WAL) of corporate credit unions' investment portfolio be limited to two years. This is an unnecessary burden that will reduce or altogether eliminate the ability of a corporate credit union to be competitive with the interest rates that it pays on deposits or pricing of services. We feel that other requirements and interest rate risk measurements that are to be followed as a result of this regulation will be sufficient to mitigate excessive interest rate risk of the corporate credit unions without a restriction on weighted average lives of investments.

Proposed Amendments to Part 704 – Corporate CUSOs

704.11(e)

It is difficult to understand why corporate credit unions' CUSOs must restrict their services to brokerage services, investment advisory and the other categories you list in the proposed regulation. By restricting the corporates in such a manner from continuing profitable money transfer services such as Bill Pay and Personal Financial Software that some of them now profitably run, you eliminate one of the few sources of continued profit and limit their diversification from risk. This is particularly acute considering that your new ALM and investment rules will potentially squeeze any profits and attractiveness out of their core business.

Proposed Amendments to Part 704 - Representation

704.14

We agree with the requirements that members of a corporate board be competent and hold a high level position in their natural person credit union. We fully support term-limit restrictions of corporate board members and the prohibition that directors cannot serve on the boards of more

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than one corporate. We understand the delay in some of the rules for US Central, but still believe it should be dissolved entirely.

Proposed Amendments to Part 704 – Disclosure of Executive and Director Compensation

704.19

We still disagree, as we stated in our letter in March of 2009, that directors of corporates should be paid despite the new transparency rules.

Further, we strongly disagree that the compensation of directors, senior executive officers or any officers for that matter be disclosed. Natural person credit union members of corporate credit unions should have the ability to request compensation information, but this information should not be publicly disclosed. We do not see any benefit to anyone for publicly disclosing individual compensation. Corporate credit unions are not public entities.

Miscellaneous Commentary

We still believe the Office of Corporate Credit Unions should be eliminated and authority for supervision be transferred to the regional offices of the NCUA.

Overall we have reservations on the rule changes proposed by the NCUA. The proposals do not appear to take the prior ANPR and comments into consideration. Further, it appears that the current proposal will result in corporate credit union mergers and closings without the appearance that the NCUA forced such action. We feel that the NCUA should take the hard approach and orchestrate planned mergers and consolidation of services with the goal of strengthening the share insurance fund and returning lost capital investments to natural person credit unions. In other words....try again.

Thank you for the opportunity to comment on this proposed rule.

Sincerely,



Frank E. Berrish
President/CEO

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cc: Mr. Fred Becker, President – NAFCU
Mr. Dan Mica, President - CUNA