Patriot
FEDERAL CREDIT UNION
Let's Grow Our Future Together

March 8, 2010

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

Dear Ms. Rupp,

Patriot Federal Credit Union appreciates the opportunity to comment on the proposed regulations concerning the Corporate Credit Union Network (CCUN) and its structure. The CCUN and Mid-Atlantic Corporate Federal Credit Union in particular have been vital business partners for many years, but we are finding that recent events occurring in both the CCUN and Mid-Atlantic Corporate FCU will necessitate serious reconsideration of those relationships by Patriot FCU.

While Patriot FCU believes that the proposed corporate regulations are certainly a step in the right direction, there are several other related issues that will need to be addressed in order for the majority of Natural Person Credit Unions (NPCUs) to continue to be able to do business with and support the CCUN and their individual corporate credit union (CCU).

The first issue is the proposed recapitalization of the CCUN. It is highly unlikely that NPCUs will be willing to do this in light of the tremendous losses already incurred by the CCUN. While it is certainly necessary for CCUs to obtain and maintain an adequate level of capital, alternative avenues must be explored to make this more palatable for NPCUs. The next issue is the "legacy assets" which are still underwater and will be for many years to come. These assets were acquired by only a few of the CCUs and U.S. Central FCU, but present a huge challenge for the entire credit union movement. A truly viable option has to be presented to deal with these liabilities.

Finally, there are the issues of transparency and accountability of the CCUs to the NPCUs as well as to NCUA, Congress, and the individual credit union members: To whom are the CCUs responsible and how are they to be held accountable, both individually and collectively? Regardless of whether CCUs are able to continue to operate and survive, these issues will remain until all of the losses and/or gains of the "legacy assets" are accounted for and retired.

Patriot FCU would propose that all of the "legacy assets" be placed in a "bad" corporate credit union much like the structure of the Resolution Trust Corporation that was created to deal with the "legacy assets" of the savings and loan debacle of the 1980's. This corporate would not be open for membership, and its sole purpose would be to deal with the active management and liquidation of the "legacy assets" for however many years it takes to retire the total portfolio. These assets would be segregated from the rest of the CCUN and NPCUs. As gains and/or losses occurred, they would be

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booked against the NCUSIF, and credit unions would be affected accordingly. The use of leverage as well as the access provided by the Central Liquidity Fund could be used to help expedite this process.

The remaining CCUs would be greatly simplified by limiting their powers through regulation so as to reduce the amount of overall risk that CCUs create for the entire credit union system. These powers would include: settlement and liquidity services; short-term, fully matched investments (5 years or less); payment system services; and, other services as deemed prudent by NPCUs and the NCUA. The CCUs would be frugal by design and would operate with minimal staffing and facilities requirements. Overall risk would be greatly reduced as would the need for capital, which would be acquired through normal reserve transfers from earnings at the end of each accounting period. Transparency and accountability would be enhanced by requiring that the Boards of Directors of these CCUs be comprised of credit union executives and/or volunteers, and the board structure should be equally represented by asset size so that no special interest group(s) could control the oversight and functions of the corporate credit union.

A basic tenet that seems to have been overlooked in the "corporate credit union situation" is that it is credit union members' money that has been put at risk. These monies do not belong to the individual credit unions, the corporate credit unions, or the NCUSIF. It is the executive management and volunteers of NPCUs who have been entrusted with the fiduciary responsibility for these monies; and, it is in that capacity that we should be seeking solutions as to how we structure the CCUN and how the CCUN can provide products and services in a safe, sound, efficient manner to serve the vast majority of NPCUs and their members. It will ultimately be the NPCUs who make the decision as to whether we have a CCUN or not, but we at Patriot FCU believe that the entire credit union movement would be best served by owning and operating "our own payment system" if at all possible. However, it has to be done with the protection of our members' hard-earned dollars as the number one priority.

We applaud the NCUA for the steps that have been taken already and we trust that some of our proposals would be considered when restructuring the Corporate Credit Union Network.

Sincerely,

Peggy J. Bosma-Lamascus

Peggy J. Bosma-Lamascus
President/CEO