

Pacific Federal Credit Union  
3530 Pomona Bl  
Pomona, CA 91768

March 8, 2010

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

Subject: Comments on Part 704 Corporate Credit Unions

Dear Ms. Rupp:

I am writing this letter on behalf of Pacific Federal Credit Union, a 19 million dollar institution located in Southern California. We have been members of WesCorp for over 25 years. Being a small credit union we utilize our corporate credit union to provide financial services that we are not currently equipped to handle on our own.

We are aware of the upcoming proposed rule to restructure the corporate system. We feel that it is important for us to relay our concerns regarding proposed rulings to NCUA. We agree that there is definitely a need for change in the corporate credit union system however the proposed revisions set forth by NCUA do not appear to be able to accomplish the desired outcome without possibly destroying the whole corporate system in the process.

The most critical issue to us at this time is the one year window required by the proposal for corporates to attain a 4% risk based capital ratio. With very few options available it is highly likely that corporates will turn to member credit unions to contribute approximately 4% of their deposits within 12 months of the publication of the final rule.

In 2009 we booked a loss of over \$183,653, when required to write off our capital deposits held at WesCorp. We cannot speak for others but quite frankly we do not feel that we are willing to invest another \$260,000 to \$360,000 to recapitalize our corporate within the next 12 months. We have remained supporters of WesCorp through this turmoil. We have maintained our deposits in WesCorp even though it may not have been the best choice from an earnings perspective. We have chosen to show our support for the entire credit union industry by helping to rebuild our corporate credit union structure by not withdrawing our business in difficult times.

We would like to see NCUA show similar support by helping the credit union industry restructure the corporate credit union system. We understand that the difficulties in the corporate structure did not occur overnight. It took several years of shared misguided

leadership and oversight for this fiasco to surface. To correct this situation in the best interest of all parties concerned will more than likely also take several years.

Under the current proposed rule we may elect to pull our deposits from the corporate if it is our only alternative. This may in turn cause further liquidity issues for the corporate leading to further deterioration of the insurance fund by creating a situation where all credit unions maintaining coverage under the NCUSIF would be required to replenish the fund. It seems that spreading the cost to all credit unions, not just those that are members of corporates, may be a better solution.

Frankly, I would rather see a longer period of time allowed for the corporates to reestablish their risk-based capital levels. These are unprecedented times and as much as we want everything to be as it should be we must allow reasonable amounts of time to accomplish these goals. There are certainly other options to consider.

There are several other issues of concern that have been addressed by the California and Nevada Credit Union Leagues. We share the concerns as presented by the league's comments dated February 17, 2010. We also urge the NCUA to withdraw the proposal as drafted so that a more unified and realistic set of rules can be crafted. We also strongly believe that there should be another round of proposed rule making for Part 704, with another 90 day comment period before issuing final rules to govern corporate credit unions.

Thank you for your time and consideration.

Respectfully Submitted  
Pacific FCU

Jeanne Chance  
CEO