Pelican State

"Serving members and their families since 1956"

March 8, 2010

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

Ref: Part 704 Corporate Credit Unions

Dear Ms. Rupp:

On behalf of the management and Board of Directors of Pelican State Credit Union, thank you for the opportunity to comment on the proposed corporate credit union regulation 704. Pelican State Credit Union is 174 million in assets, has over 29,000 members serviced through 10 branches across Louisiana. We use the services of Louisiana Corporate CU, Southwest Corporate FCU, Mid-Atlantic Corporate FCU, and Volunteer Corporate CU.

While we believe the proposed regulation contains some excellent changes, we also believe the combination of all the proposed changes will be detrimental to the corporate system and have negative impacts on natural person credit unions (NPCU). The regulation will cause a significant consolidation of the corporate credit unions as well as an inability for the surviving institutions to offer competitive pricing on services now provided to NPCUs including correspondent banking, investment purchasing, lines of credit and asset liability management services. The proposed rewrite of 704 reaches too far to eliminate all credit risk, interest rate risk and liquidity risk. It would be in the best interest of all credit unions including Pelican for a corporate system to exist in providing these services.

704.2 " To the extent that any contributed capital funds are used to cover losses, the corporate credit union must not restore or replenish the affected capital accounts under any circumstances. " We feel this language does not address safety and soundness but is over simplification of creating a capital level which is appropriate. Language should be added such as, " until a corporate credit union meets the well-capitalized level and any return of capital will not lower the corporate capital below the well-capitalized level."

704.3 Corporate Credit Union Capital
We believe that the recommendations of a leverage ratio of 4.0 percent or greater and a Tier 1 risk-based capital ratio of 4.0 percent or greater are good changes. We ask that all sections of the regulation reflect an effective date of 36 month time frame after the rule is published. This would provide a defined time frame long enough for any corporate to actively demonstrate their business model and raise PCC. Any time frame shorter could bring about a hasty consolidation of the corporate system and a negative impact to NPCUs trying to restructure their operations.

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704.8 (h) Two year average life
We feel you should remove the WAL restriction of two years, if the NEV tests remain and other limitations on investments are kept in the final rule. This recommendation is too restrictive at two years, if a WAL restriction must exist we would recommend five years. Our objective is maintain safety and soundness while allowing the flexibility to invest in low risk mortgage backed securities. We do not desire the Federal Home Loan Banks to be our only competitive option for lines of credit and loans to meet our liquidity needs.

Non Performing Assets
This regulation does nothing to address the non performing investments that U.S. Central and others hold on their books today, but it requires new capital to be raised by members in order to stay in business. We don't feel that NPCUs are going to be willing to further capitalize any CCU in the near future without a plan to address these "legacy assets". We must have a resolution document for the legacy assets in order to embrace the solution any proposed regulation provides.

We support raising the capital requirements, reducing the use of short term funding to finance longer term assets, and improving portfolio diversification. These are all excellent ideas contained in the proposal but we must state we do not agree with proposed corporate regulation in its current form. Passing this regulation will in our opinion set a course for consolidation of the majority of the corporate system within 12 months and the remaining institutions over the next few years. Natural person credit unions will not invest more capital based upon two conditions, the first is the unaddressed legacy assets, the second is this regulation which positions the corporate system to be less competitive than the commercial banking system. The impact will be higher expenses for natural person credit unions as they are forced to turn to banks for clearing services and lines of credit and this would not be in the best interest of the credit union movement.

Sincerely,

Jeffrey K. Conrad, CEO
On behalf of the Management Team and Board of Directors

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