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

Dear NCUA Board Members:

Please let me introduce myself. I was an NCUA examiner in the early '80s. I was subsequently employed over a twenty-year period by three CPA firms all specializing in credit union audits and services. I was a partner in Turner, Warren, Hwang & Conrad. When the California DFI was formed in 1997, I received a gubernatorial appointment to serve as the first Deputy Commissioner of the Credit Union Division and I served through December 1998. I have served on the Supervisory Committee of a \$50 million credit union, I was a CFO in an \$80 million credit union and I am currently the VP Financial Analyst for a \$1 billion credit union. I also continue consult with several smaller credit unions. I see our current problem from a number of different perspectives.

I believe our current problem is significant. The question of how to regulate corporate credit unions is just a part of the overall problem but it is the part we are addressing here. I have read the response letter prepared by the leagues and will use that as a basis for discussion but I would also like to address some broader issues.

I think there is a basic weakness with regard to the survival of our corporate credit union system that is not addressed directly either by the proposed regulatory changes or by the League's response comments. That problem will come to light when we reach the time for the recapitalization of WesCorp. How can current credit union management possibly justify recapitalization to their boards of directors, their auditors, the press, their members or even their regulators? As a California credit union we experienced considerable losses in 2009 and half were due to the WesCorp capital write-off. Our regulators have been absolutely merciless to us with regard to the half of the loss due to bad loans. I can only imagine how they would react if we were to re-invest in the same institution that caused the other half of the loss (our historical loss ratio on WesCorp capital shares is 100 percent). While I realize that the proposed regulations are not meant to directly address recapitalization, many of its components if worded correctly might help to mitigate some of the industry's concerns.

I understand that no re-capitalization date has yet been set, but I feel that if an attempt at re-capitalization were to take place too soon it might very well fail. Three things have to happen before most of us will be able to support re-capitalization. First WesCorp has to return to profitability to prove that it is viable. That is going to take awhile and I feel it would require some changes to the proposed regulations if it is to be achieved. Second we natural person credit unions have got to return to a comfortable level of sustained profitability before we will be willing to risk re-capitalization. Third the economy has to improve so that the first two factors can take place. None of these factors appears to be happening at the moment and I am concerned that a call to re-capitalize too soon will cause a run on WesCorp member deposits to avoid or at least reduce each credit union's required capital share. If the capitalization formula was changed (to no longer be partly dependent on the level of deposits) and the NCUA deposit guarantee was continued, most of the risk of a run on shares could be mitigated.

Some of the issues that might reduce the risk of re-capitalization are addressed within the proposed regulatory change. Given the current economic stagnation and the concerns mentioned above, I agree with the leagues that the period for capital ratio attainment is too short, especially in light of the unusual and I think unrealistic growth model proposed by NCUA. With regard to the average-life NEV testing, weighted average asset life requirements and concentration limits it appears to me that NCUA is trying to remove nearly all risk from the corporates' asset portfolios. I'm not certain that requiring multiple NRSRO ratings will improve anything. All of the rating agencies basically issued the same optimistic ratings before the current crisis. If three ratings had been required at the beginning of this crisis, I think we would have simply had three erroneous ratings instead of just one. I realize that the past couple of years have been traumatic for all of us but if the corporates are to continue to provide investment conduits to its member credit unions they must be allowed to take some risk. If it is the intention of NCUA to reduce or eliminate this corporate function then leaving the proposed regulations as is would be one way to achieve that goal.

Isolating the legacy assets, whether it is done via regulatory change or by some other method, will be absolutely necessary before any natural person credit union will be able to consider any form of recapitalization.

I am not a supporter of screening board members by title or by limiting their terms. I am a big supporter of adequately checking prospective board members' backgrounds and abilities to determine that they have the qualifications to serve and then letting them serve indefinitely or at least long enough to understand the complexities of their jobs so they can successfully contribute. I agree with the concept that member credit unions should be able to ascertain the compensation paid to the corporates' senior executives however I agree with the leagues that the method of reporting could easily follow the same format as the IRS Form 990.

In summary, I would encourage NCUA to reconsider some of the proposed regulations and I would recommend that they be rewritten and reissued with a new comment period. I recommend that NCUA consider the problems inherent in re-capitalization, revise the proposed regulations to better address some of the issues and delay the process as long as possible. I suggest that NCUA determine if the corporates are to continue to provide investment services to credit unions and if they are, I recommend changes to the proposed regulations to allow the corporates to successfully perform this function. The legacy assets need to be isolated. Finally I think the search for successful board members could be more appropriately handled with proper qualifying procedures than with regulatory formulas.

Thank you for the opportunity to comment on these proposed regulations,

David A. Conrad, CPA