

EAST BAY POSTAL CREDIT UNION

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Founded 1927

March 8, 2010

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

Subject: Response to Proposed Rule 12 CFR Part 704

Dear Ms. Rupp:

Thank you for the opportunity to comment on the proposed changes to NCUA Regulation 704. East Bay Postal Credit Union celebrates our 83rd anniversary this year. Started in 1927 we were there to help our members during the depression of 1929. The corporate system benefits credit unions as the synergy between our corporate and small credit unions is necessary to respond to our members – typically average income earners with a need for credit markets and financial counseling that are fair and just. We need our corporate system and the recommended changes to 704 as proposed will stifle competition and be the death knell of our corporate system.

We support a viable corporate system, but we do not believe that the proposed regulation if adopted as is will provide for a viable system. This proposed regulation needs to be modified or East Bay Postal Credit Union will face increased costs, fewer competitive investment options, lower rates on deposits and fewer credit union owned services – this last being critical for this small credit union.

Enumerated below are changes East Bay Postal Credit Union believes are fair changes that should be incorporated into the regulatory changes for 704:

1.) Liquidity- 30 day maximum borrowing term:

A corporate credit union needs to have the appropriate resources to better manage its balance sheet while providing needed liquidity services to its member-owners. A corporate credit union should not have any borrowing term limit when the borrowing is for its own or its members' liquidity purposes.

2.) 2-year Weighted Average Life (WAL) portfolio limit:

The two year WAL portfolio limit is too restrictive since a corporate would need to manage a portfolio well below that limit to ensure compliance. A 3-year WAL limit for the portfolio allows a corporate some needed flexibility in managing its portfolio to a target range of 2-years. The calculation methodology should be based on 12-month average assets which would take into account seasonal cash flows.

3.) Sole discretion of OCCU director to require higher capital:

NCUA should not be able to subjectively determine alternative minimum capital standards. A corporate and its member credit unions need to be able to evaluate the stability of their corporate in determining the likelihood of being subjected to Prompt Corrective Action (PCA).

4.) Single obligor limit for overnight/fed funds transactions:

The low risk profile of the fed funds/overnight market should allow a higher single issuer concentration limit for such overnight deposit transactions – 100-200% of capital.

5.) Effective phase-in timeline for entire new regulatory guidelines:

There needs to be some minimal amount of time given to comply with all sections of the new rules. Since most corporate are currently operating under an agreement with the NCUA in exchange for a NCUSIF share guarantee, it seems as if there is minimal risk in providing an appropriate transition period for corporates to comply with each of the proposed changes. To allow a cooperatively owned corporate credit union to provide any real value to its members, it must be afforded some ability to manage risk. The proposed regulation essentially eliminates all risk a corporate could manage in providing products and services to its members. Under this scenario, we do not believe a viable corporate credit union is possible. We do believe the proposed regulation needs substantial revisions and with modifications can still safeguard the credit union system from the systemic risks it has suffered during the recent financial crisis.

The NCUA Board's serious consideration and adoption of the above recommendations is needed to re-establish a more viable corporate system.

Sincerely,
Cynthia La Croix
CEO