Ms. Mary Rupp March 8, 2010
Secretary of the Board
National Credit Union Administration
1775 Duke St.
Alexandria, VA 22314

Subject: Comments on Part 704 Corporate Credit Unions

Dear Ms. Rupp:

On behalf of CBI Federal Credit Union, I would like to comment on the NCUA's proposed regulations on corporate credit unions. Our credit union, located in Plainfield, IL, has 1,500 members and a little over $15 million in assets. We are a single-sponsor financial institution serving the employees of Chicago Bridge & Iron Co. (that is headquartered in The Woodlands, TX).

We belong to two corporate credit unions here in the mid-west for financial services. We use Members United Corporate Federal Credit Union in IL for clearing services on ACH and share drafts, processing domestic and international wires, short-term investments and a line-of credit borrowing if needed. We have recently started short-term investing at Corporate Central Credit Union in WI. Both of these corporates will be requiring us to place additional funds on deposit with them for future services.

The proposed regulation is addressing the risk issues that severely impacted all natural person credit unions last year, but my concern is that some of the proposed requirements may make it difficult for the corporate credit union system to survive. Before final regulations are implemented, the NCUA must FIRST develop and implement a plan to remove the toxic / legacy assets from the balance sheets of the corporates so everyone can all start-out with a clean slate. It will be very difficult for any corporate to acquire new capital at the same time that there could be future losses due to the unknown market value of any mortgage-backed securities or CDOs.

- Section 704.3(b) (6) Sale of non-perpetual contributed capital account (NCA)

Members of a corporate should not be able to sell or transfer their non-perpetual contributed capital to any other member or a nonmember. The corporate must be able to approve any proposed transfer of NCA funds (such as for mergers or liquidations).

- Section 704.3(c) (3) Callability of perpetual contributed capital (PCC)

A corporate CU should be able to decide on a call of PCC instruments without the prior approval of the NCUA or the state regulator. The corporate should be able to make a business decision as long as it will not make them under-capitalized or otherwise out of compliance with the regulation.

- Section 704.3(c) (5) Transfer of PCC instrument to a third-party member or nonmember

The transfer of capital shares should require the approval of the Directors of the corporate even in the case of mergers or liquidations. A corporate CU should have the ultimate control of its capital.

- Section 704.3(d) (4) (iii) Procedures for a corporate CU to respond should not be shortened

The regulation should be modified to state a minimum length of time for a corporate to respond if the NCUA decides to shorten the time period. Fifteen (15) days should be adequate.

- Section 704.6(c) (1) Issuer concentration limits at 25% of capital in any single obligor

If Fed Funds transactions are included in this concentration limit, and corporates need to invest large sums overnight, then the percentage of capital for these types of investments will have to be greater than 200% of capital.

- Section 704.8(c) Penalty for early withdrawals

The corporates should be allowed to pay a premium on the sale of a certificate prior to maturity as long as it can do so without incurring a financial loss. We would be less inclined to invest with our two corporates if we were denied the possibility of participating in an upward market rate adjustment for an early withdrawal. This is a major reason that we have our funds with the corporates.

- Section 704.8(e) Cash Flow mismatch analysis

This section is too restrictive and not necessary; Section 704.8(f) is more conservative in its application.

- Section 704.8(h) Weighted average asset life (WAL)

The WAL of a corporate's investment portfolio should NOT be limited to 2 years or less. This should be at least a minimum of 3 years so the corporates can make longer-term investments if rates appear competitive. We will not be investing with our corporates if they cannot offer us good rates.

- Section 704.14(a) (s) Board representation – maximum term

The proposed regulation would limit a director to a term of only 6 years which is too short a time to learn about the corporate and to add value to the organization. A director should be permitted to serve for at least 12 years. Many persons may not complete this long of a term, but this would still allow for new members to become involved with, and learn about, the corporate.

General Comments:

I believe that eventually the 28 corporates will be reduced to less than 10, but I am concerned about thoughts that there should be only one giant corporate with small offices to answer questions. If all we need is processing services, then there could be one corporate that concentrates on that feature and one strong corporate that concentrates on making great investments available to us. We should not be required to make capital contributions to a corporate just to be invested with them, but if we do provide capital, it should have NCUA insurance. We have sufficient liquidity and do not need to borrow unless it is for a very short time; so any corporate that is processing our daily transactions should be able to provide this service.

The primary reason for credit union losses in 2009 was due to the unknown credit quality of the MBS investments. The proposed regulations need to be more restrictive about whether these types of investments (CDO's, or mutual funds, or corporate bonds) are going to be permitted. Corporate CUs should be required to reveal to their members any participation in non-government insured investments.

Finally, there should not be any need for the public release of an individual corporate officer's compensation. This is personal and private information. A general release of the total amount of the pay packages and benefits for the top 3 or 6 executives would be less personal and might solve the "need to know" questions.

Thank you for the opportunity to participate in making suggestions about the proposed regulations.

Sincerely,

Robert Doty
Manager (for 8 years and Director for 24 years)
CBI Federal Credit Union