From:	Steve Dunham
To:	_Regulatory Comments
Subject:	Corporate Credit Unions - 12 CFR Parts 702, 703, 704, 709 and 747
Date:	Monday, March 08, 2010 6:42:59 PM

March 8, 2010

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

Re: Proposed Regulation 12 CFR Part 704

Dear Ms. Rupp:

Corporate credit unions have provided valuable service to natural person credit unions for over 20 years in the areas of payment systems, settlement, liquidity and investments. I believe that it is important to the credit union movement and especially small and medium size credit unions that corporate credit unions continue to provide these services in the future. The elimination or over regulation of corporate credit unions will ultimately result in increased costs and risks to natural person credit unions.

While I am sure it is necessary to modify the corporate regulation to strengthen safety and soundness over the corporate system, I am concerned that the proposed regulation may be over reacting to the real estate credit losses that have devastated the United States' and world economy and have severely impacted the corporate credit unions. Credit unions and all financial institutions are in the business of managing risks in order to provide valuable services. Frequently steps taken to reduce risk in one area results in increased risk in other areas, with the unintended consequence of increasing over all risk to the organization.

I am hopeful that the final regulation will provide the framework to properly manage risk and not be so restrictive that by eliminating certain types of risks it will magnify other risks.

I believe that when the issue of the corporates' "legacy assets" are resolved and an appropriate corporate regulation is enacted that credit unions will be willing to re-capitalize corporate credit unions.

Here are my primary concerns:

704.8 (c) Penalty for early withdrawals on corporate certificates

My credit union has benefited from enhanced yields on my excess funds placed with my corporate, but I do not see why I should not be able to obtain a premium on a certificate redemption if I need liquidity. If this proposed change stays in, corporate certificates will be less competitive and I will need to consider placing my longer-term investable funds elsewhere in liquid instruments that do not penalize early redemptions. All credit unions will be forced into the same choice, which will effectively mean the end of corporate certificates as a competitive investing option. That will not be good for my credit union, the corporate, or the system as a whole. This proposal should be removed.

704.8 (d), (e) & (f) NEV sensitivity analyses

I have seen analyses that show that the proposed limitations placed upon a corporate through various NEV tests do not allow the corporate to generate sufficient interest margin to build retained earnings to meet your proposed capital requirements. If enacted as drafted, this proposal will inevitably lead to some combination of increased fees being charged to me and forced expense reductions that will adversely impact the level of service and support that my credit union needs. Of special concern is the requirement to treat floating-rate instruments like fixed rate investments when calculating the affect of credit shocks. The rule should be revised to allow for corporates to make sufficient income from the balance sheet to grow and invest in innovation for the benefit of all its member credit unions, while exercising an acceptable level of credit and interest rate risk.

704.8 (h) Weighted average asset life

The proposed maximum 2-year weighted average life is overly restrictive and will impair the corporates ability to achieve adequate profitability and meet capital requirements. If loans to credit unions are also included in this measurement, it will reduce an available liquidity source for credit unions. In turn this will result in increased costs to my credit union as I obtain alternative sources of liquidity, such as banks or the FHLB.

704.6 (c) & (d) Concentration limits

Under the current proposals for concentration limits, corporates will be severely challenged to invest short-term liquidity at reasonable rates. This will have the effect of reducing the overnight rates my credit union receives from our corporate and negatively impacting our bottom line. I respectfully urge a number of revisions here: Please change the definition of deposits in 704.6 (d) to include Federal Funds, or include Federal Funds transactions in the exemption from sector concentration limits. Also, please change 704.6 (c) to allow a larger single obligor limit of 200% of capital on money market transactions with a term of 90-days or less. An alternative solution might be to specifically allow a single obligor limit of 200% of capital for Federal Funds transactions sold to other depository institutions.

704.8 (k) Overall limit on business generated from individual credit unions

It makes since to manage the risk posed by a single credit union having a large investment in the corporate. I would suggest that the risk could be mitigated by requiring a corporate to match investment terms for any excess amount versus prohibiting excess investments.

The above areas comprise my major concerns with your proposed rule, and I hope that my comment on this is sufficient to prompt you to reconsider these proposals in the ways I have indicated.

It is very clear to me that you have put an incalculable amount of time, thought and consideration into a proposal that you intend to strengthen the corporate network and be of lasting value to all credit unions.

I want to see it work the right way, and I hope that my comments, along with those of my fellow credit union leaders, will assist you in making that happen.

Sincerely,

Stephen R. Dunham
President/CEO
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