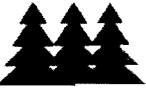


EASTMILL 
FEDERAL CREDIT UNION
"Working hard for our Members"

MAR 12 '10 PM 1:43 BOARD

March 8, 2010

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

Re: Proposed Revisions to Rule 704

Dear Ms. Rupp:

By way of brief introduction, Eastmill Federal Credit Union is a \$56-million-in-assets institution located in East Millinocket, Maine—a community centered in the rural Katahdin Region of Northern Maine. Eastmill Federal Credit Union is a member of the Maine Credit Union League and is served by Tricorp Federal Credit Union. We have long engaged in a conservative operational approach and have adopted policies conducive to that philosophy.

We are writing to you regarding the proposed revisions to Rule 704 in response to the Corporate Credit Union Crisis of 2009. Eastmill Federal Credit Union is in agreement with the NCUA that regulatory changes are necessary to remedy the imminent crisis. We support several of the proposed revisions which address the capital insufficiencies among the corporates and U.S. Central, the concentration of investments in mortgage-related products within the corporate environment, and asset financing with shorter-term funding.

We fear, however, that some of the revisions overreach and will have unintended consequences on sound entities within the credit union system. Eastmill Federal Credit Union foresees that the changes proposed will eliminate several corporate credit unions in the short-term, which would be a detriment to smaller natural person credit unions. The potential for operations to be adversely affected is great, as costs will increase and investment choices will be limited. Even worse, an incentive will be created for credit unions to look for assistance with day-to-day operations from non-traditional providers in an endeavor to save costs. We can both agree that this would not be good for the system.

For example, we observe a flaw in the proposed reduction of the single obligor aggregate investment limit. We foresee that this limit will reduce liquidity, forcing credit unions to place funds outside the corporate credit union system. While this rule may be intended to lower risk, the migration of liquidity will reduce deposit program efficiencies and actually increase risk for credit unions. Corporates will ultimately be restrained in

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the marketplace, limiting the ability to compete. However, there is nothing in this rule limiting the ability to invest in banks following "due diligence." This begs the question, why should investments in corporate credit unions be limited, provided that the same "due diligence" is assured? We favor current industry recommendations which state that single obligor limits should be limited to the greater of 10% of a corporate's assets or 100% of a corporate's assets that have risk weighting of 20% or less.

Another point of concern is the Proposed Rule for Credit Risk Shock, which calls for a 300 bps interest rate shock test. There are many within the credit union community who believe there is no realistic combination of assets (with a two year average life and limited extension risk) which can generate a sufficient margin and pass the 300 bps credit shock test. We believe this burden is too heavy for most institutions. While we do not support the current proposed test, we would favor a more reasonable 100 bps test.

We are concerned that the end result of this regulation sends the wrong message about the credit union philosophy. We fear that in real terms, smaller, sound corporate credit unions will suffer as larger corporates gain power. Eastmill Federal Credit Union cannot support "handing over the reins" to the same entities which engaged in risky behaviors resulting in this crisis.

Eastmill Federal Credit Union supports the NCUA and thanks you for the opportunity to comment on the proposed changes.

Sincerely,

A handwritten signature in black ink that reads "Matthew Fleming" followed by a long horizontal line extending to the right.

Matthew Fleming
Operations Manager
On behalf of
Eastmill Federal Credit Union

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