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March 8, 2010

Ms. Mary Rupp  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, Virginia 22314-3428  
[regcomments@ncua.gov](mailto:regcomments@ncua.gov).

**RE: Proposed Regulation 12 CFR Part 704**

Ms Rupp:

Mid American Credit Union (MACU) generally serves select employee groups in our area. This includes our local county and state employees, employees of Bombardier-LearJet, the Coleman Company, Johnson Controls, General Electric, Rubber Maid located in our area as well as many employers who are very small and local in nature. Altogether we serve over 23,000 members from over 250 employers in this area and nation wide. We have the ability to serve potential members in thirteen counties but choose to reach out to employee groups.

This credit union was originally federally chartered as a "central" to serve volunteers and staff who could not borrow from their own credit unions as early pioneers feared insider dealing. We also served the liquidity and investing need of credit unions from 1936 to the early 1950's when Kansas Central Credit Union (now Kansas Corporate) was chartered under new Kansas law that was designed to limit it to a credit union for credit unions only. This system eventually developed in all 50 states and worked very well from the 50's until the twenty-first century. Unfortunately, as some corporates evolved, they took on the mantle of an investment broker whose main responsibility was to get the best return in the market for similar grade investments. Many Corporates developed logical money related services along the way (check clearing, settlement, cash and coin, etc.).

From this perspective I am sharing my input about the proposed changes in Chapter 12 of the Codified Federal Regulations, part 704. First let me commend you for taking steps to mitigate what could have been a very public and messy failure of the corporate system. While I do not agree with many of the things that were done or they way they were done, I do appreciate the NCUA being proactive in the process.

We use our Corporate (KCCU) extensively and look to them for the services we should not be required to seek out from local bankers who have readily demonstrated their unveiled contempt for credit unions and desire to limit our ability to serve members. As near as I can tell, all Kansas credit unions have some dependent relationship with Kansas Corporate by choice.

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KCCU is viewed as a critical strategic partner. We must have a viable, energetic, robust Corporate or we will be left to the whims of the local bankers who care nothing about our members, and are truly opposed to our success. This we must never allow to happen and I am calling on you to make sure we do not go the way of the Savings and Loans because they failed to have a system like our corporates in place when they needed them.

Next let me point out that the proposed revisions will have a direct impact on MACU and its members. The sections of the proposed rule that, if approved, will force MACU to seek alternatives would prove to be more costly and certainly more unreliable, than utilizing the products and services of KCCU. When I first arrived here in 2004, I was able to implement many cost saving actions that revolved around negotiating better prices for service at KCCU than we could get from local competitors at banks.

The proposed regulation requires a corporate to meet a 0.45% retained earnings ratio by the end of three years; 1.00% after six years; and 2.00% after ten years. The new 4% leverage ratio must be met within 12-months after implementation of the regulation. Only retained earnings and "perpetual contributed capital" will count toward meeting the leverage ratio. In the current economic and interest rate environment, it seems unrealistic that any corporate could meet the retained earnings portion of the leverage ratio. Most corporate credit unions have little or no retained earnings as a result of the capital investments at U.S. Central and/or, their own investment losses. Since the majority of net interest income for corporate credit unions is generated from investments and not loans, this makes the periodic benchmark very difficult to achieve. An additional time (say four years to .45%, eight years to 1% and 12 years to 2% with smaller yearly bench marks along the way to fit the particular market for that corporate) to achieve the periodic benchmarks for the retained earnings portion of the leverage ratio needs should be allowed. I would also recommend that the leverage ratio requirement should be effective three years after the regulation is approved instead of one year.

I am gravely concerned about the absence of a method for a corporate to replenish member-contributed capital. The NCUA must allow in the regulation a mechanism for corporate credit unions to return capital to previous capital holders if actual losses on investments, in which other than temporary losses that have been taken are less than projected, and a corporate meets all regulatory capital standards. The regulation should allow for the same accounting treatment as national standards. Failure to do so will send a message that rebuilding the capital of our corporate system is not seriously contemplated. Then future funding of the corporate system will be a poor option to the existing banker solutions they can use to fund legislative, regulatory, public relations and legislative options to bottle us up.

KCCU has a history of representation on the board of directors from credit union officers representing all asset levels. The proposed term limits for directors of six consecutive years is too restrictive. In a small state like Kansas, only a few individuals can carve out the necessary time and effort from their management responsibilities to oversee the complexities of a corporate credit union. A corporate credit union's operations are significantly different than a natural person credit union and they takes time to thoroughly understand. In addition, KCCU, which represents 120 member credit unions, has a smaller pool of potential volunteers. Term limits are

not in the best interest of the credit union movement any more than they would be for credit union staff. The credit union is a democratic organization where members know how to change leadership. This should be left to the credit unions that are being served. No one is better equipped to determine good leadership than the staff and volunteers of credit unions in the state being served by a corporate. This is fundamental to the way credit unions do business. If this is taken away, they become little more than a reflection of the corporate staff.

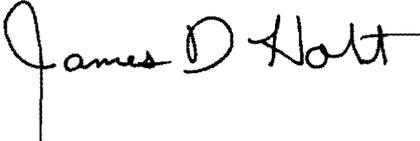
Finally, the penalty for early withdrawal of certificates in the existing proposal eliminates the ability for a corporate to redeem an outstanding certificate at a premium price. This is a bad business move. It unnecessarily eliminates the business case for a corporate certificate. Since other financial intermediaries have this capacity, it would eliminate KCCU's ability to turn that asset into cash when needed. It is highly likely that this will place KCCU at a competitive disadvantage as well as reduce the effectiveness of its longer-term deposits. The current regulation should stay in place, adding some controls if necessary to define a mechanism for how a gain may be paid.

This credit union movement of ours is small and fragile in size, but strong in its service component. NCUA has the ability to regulate it into an inconsequential option. Please reject that option and put credit unions back in charge of their destinies by adopting these suggestions or some that capture the spirit of people helping people. I wonder if we are facing the fear Roy Bergengren expressed when he said in a speech to the Ohio League that, "Once we lose sight of the fact that in the Credit Union Movement *our sole motive is to serve our fellows*- -our compass is gone and to navigate further will be practically impossible." Please seriously consider how to help us keep our compass, instead of turning it over to a government agency that protects us out of business.

Obviously, the Board and staff have put a great deal of thought and effort into this revision. I know it is important to strengthen the corporate network. Perhaps with a little more time and the value of these and other comments, we can go back to the drawing board and draft a much better regulation that addresses these concerns of mine and strengthens the system. Surely, if we sit down together as men and women of goodwill with the fate of our movement at stake we can craft something that more closely covers the flaws without crippling the system.

Please carefully consider these and other comments about the seriousness of this situation and help us stay at the front of trusted financial institutions.

Respectfully submitted,



President/Chief Executive Officer