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EASTMAN CREDIT UNION
"It's Your Money"®

March 8, 2010

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

Re: NCUA Part 704 – Corporate Credit Unions

Dear Ms. Rupp:

Eastman Credit Union (ECU) welcomes the opportunity to comment on proposed changes to NCUA Part 704 concerning corporate credit unions (corporates). Because of the stressed financial condition of the corporate credit union network, it is clear that actions taken or not taken by NCUA will have a profound long-term effect on corporates and, in turn, on natural person credit unions (NPCUs).

As a NPCU, ECU does not consider itself sufficiently qualified to comment on several of the proposals that are unique to corporates, especially those dealing with various investment issues. Nor do we want to lose sight of the principal issue (future existence of the corporate network) by commenting on changes that will not have a material impact on the status of corporates as going concerns. Therefore, our comments will principally be confined to a high level.

Corporates are being heavily impacted from fallout in the wake of failures by U.S. Central and other large corporates. Member capital accounts (MCAs) at some corporates are completely depleted because those corporates unfortunately put their confidence and money in one or more of the failed entities, not because they conducted business imprudently. ECU is a long-time member of Volunteer Corporate Credit Union (VCCU). VCCU has conducted business prudently over many years and has provided significant value to its members. VCCU's current weak balance sheet is neither reflective of the way business has been conducted in the past nor the level of value they could now provide members if U.S. Central and other large corporates had conducted business prudently.

Prior to the corporate crisis, NPCUs relied heavily on NCUA to set proper regulatory standards and provide strong oversight. As in all crisis situations, much was learned through the failures. While ECU fully agrees regulatory changes are needed, the type of change and the pace with which those changes take place is critical to the viability of the corporate system.

As was mentioned earlier, the corporate system has been significantly weakened. NCUA has made it clear that NPCUs will need to vote with their wallets if they feel corporate

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survival is in their best interest. Recapitalization of corporates by NPCUs may take place but it will require a significant leap of faith in the midst of a confusing landscape. The obvious question is whether NCUA will regulate in a prudent and supportive manner or demand more than the ailing corporate network is capable of delivering at a time the network is most vulnerable.

Recommendations:

- **Support survival of the corporate system**
  Based on our experience, corporates have provided valuable services to NPCUs over the years. Fundamentally, the ability to provide needed services has not changed. Overall, the system was functional prior to problems created by a few and deserves support now.

- **Encourage participation by NPCUs in rebuilding the corporate network by avoiding over-legislation**
  It is apparent that NCUA would like to see the corporate network survive only if survival takes place in a much tighter regulatory environment and after recapitalization by NPCUs. The extensive list of proposed regulatory changes will serve to confuse and overwhelm many NPCUs by making corporate survival appear more formidable than it actually is. The result will be reluctance of NPCUs to recapitalize the system.

- **Do not immediately require PCC**.
  Membership shares were not responsible for corporate problems. In reality, they serve essentially the same purpose as PCC. Requiring PCC, at this juncture, will only make recapitalization more difficult to achieve. ECU proposes continuation of MCAs with a 3-year termination notice. As confidence in the network improves, conversion to PCC should be required over a prescribed period of time.

- **Do not permit corporates the authority to conduct business NCUA can't realistically oversee**
  Oversight has been a major problem in the broader markets for years. Complexity makes it imperative that authority to conduct certain transactions and the ability to effectively regulate/oversee those transactions be sufficiently aligned.

- **Overall, move slower rather than faster on regulatory reform**
  Given the chance, most corporates will use the same sound business practices that were used prior to market dislocation. On the banking side and in the economy as a whole, necessary measures were taken to stabilize the markets prior to making sweeping changes. Regulatory changes for Wall Street and banks are still under debate. Partial measures have been implemented in the corporate arena but the corporate system is far from stabilized. ECU supports stabilization through a prudent mix of regulatory oversight and needed reform, all conducted at a pace that leads to maximum long-term strength within the credit union industry.

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- **<u>Increase transparency at NCUA and corporates in order to provide NPCUs [illegible] risk</u>**

ECU appreciates the opportunity to comment on the proposed regulation changes to NCUA Part 704 concerning corporate credit unions. As previously stated, our overall concern is providing a long-term, solid framework for all credit unions to conduct business and provide superior value to members. Thank you for taking the time to review this letter. If you have any questions, please address them with me or Mr. David Atkinson, CFO/Executive Vice President, at (423) 578-7501.

Sincerely,

Olan O. Jones, Jr.
President/CEO
Eastman Credit Union
(423) 578-7309

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