Bellwether
COMMUNITY CREDIT UNION

March 8, 2010

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

Re: Proposed Changes to 12 CFR Part 704

Dear Ms. Rupp:

Bellwether Community Credit Union (BCCU) would like to take this opportunity to document our comments on the proposed regulatory changes for Corporate Credit Unions.

It is obvious to us that the NCUA is making it extremely difficult for corporates to re-establish financial stability. Yet, the NCUA's supervisory and examination powers have always been strong enough to ensure the safety and soundness of individual balance sheets if properly applied. And, although these significant proposed regulations are directed at the nation's corporate credit union system, their effects will cascade down to the natural person credit unions such as BCCU.

We have a long, satisfactory history with two corporate credit unions. They have provided a number of services including overnight investments, settlement, liquidity resources, borrowing, and investment options. We appreciate that we have other options for these services and have taken them into consideration for due diligence purposes. However, the corporate system has repeatedly proven to be our best choice.

While the intent of the proposed ruling has some merit, certain limitations (the weighted-average lives of corporate balance sheets; the new tests to measure NEV; the constraints being placed on cash flow mismatches) make it nearly impossible for them to attain sufficient spread to start building capital. How can natural person credit unions make the determination to re-capitalize their corporate when it appears that they have been given limited ability to succeed? It is our belief that the NCUA should relax some of these rules, allowing corporates a reasonable amount of time to achieve NCUA's capital requirements and reducing stress tests on NEV to allow them more flexibility to achieve adequate spread.

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1833

We believe that three years would be an appropriate time period for achieving the leverage ratio to build retained earnings and restructure the balance sheet to adapt to the new regulation.

We also recommend that a 100 bps credit spread widening test and a 35% NEV volatility tolerance limit would be far more realistic. The tests also include Agency investments which would have no concentration limits in the proposed rule so we recommend no inclusion for credit spread widening tests. There is a significant difference between Agency issued debt and other securities. These securities trade in a very large and liquid market; therefore, we recommend using a lower limited shock test of 50% for GSE debt and to scale back the test to the weighted average life of the instrument.

The proposed limit on indemnification coverage for Boards and Management also needs to be addressed. It is easy to understand that attracting qualified individuals would be nearly impossible if personal risk is at stake. Corporates should be allowed to continue to provide the necessary coverage for directors and management as in the past.

The proposed six-year term limit for directors is also too restrictive. It probably takes at least a couple of years for a new director to become fully effective, and the corporate should be allowed the benefit of this learning curve for a longer period of time. In addition, this proposal would cause many experienced directors to step down from their boards. Forcing this turnover during these difficult times does not seem prudent; we suggest a nine (or twelve) year limit instead.

We also recommend that a mechanism be put in place where corporates would be able to replenish capital back to existing capital holders if actual losses are less than projected. Future recoveries in value could be available to return to the original member in the form of a special dividend if a corporate is in compliance with capital regulations.

Fundamentally, the corporate system provides us with necessary tools to conduct our daily operations. Of paramount importance are the settlement services that we all rely upon for the movement of our members' funds. They also serve to provide necessary liquidity options.

We have used Tricorp FCU as our primary corporate. They have a strong management team and an equally strong Board of Directors. We have put our faith and trust in them, and they have consistently worked to earn it. We implore you not to allow this system to be disrupted, as all natural person credit unions would face costly and significant unintended consequences.

Sincerely,

Michael L'Ecuyer
President/CEO

1834