MECE CREDIT UNION
The Bright Choice
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March 8, 2010

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

Dear Members of the Board,

I appreciate the opportunity to communicate my concerns to the NCUA Board regarding Corporate Credit Unions and the proposed regulation. MECE Credit Union is over $95 million in assets and we rely on our Corporate Credit Union for many valuable services such as our line of credit, investments and settlement services.

General Comments-
Insurance Fund- With the losses incurred over the last several months I have been surprised that the NCUA has not discussed the handling of the insurance fund and carefully review the amount of insurance corporate credit unions hold on deposit in the NCUSIF. I would even like to see an open discussion pertaining to the separation of NCUA as our regulator from that of our insurer. I am deeply concerned that NCUA is performing both duties. In the instance of US Central, I believe they only had $75,000 on deposit in my owner's insurance fund and yet they received over $1 billion when the maximum amount they should have received from the NCUSIF was $750,000. The owner's of MECE Credit Union do not feel this is how the fund should be managed and are greatly alarmed that the insurance fund is being used in this manner. If a separate entity operated this fund there would be no way uninsured organizations would have access to our members insurance. Please do not mistake my comments for meaning that I think no action should have been taken. I do believe the corporate network is important and if US Central failed the cost to natural person credit unions would have been enormous. I also believe that while there is a guarantee of deposits in place this should require an additional deposit into the NCUSIF.

Examiner Oversight- I struggle to understand with NCUA oversight how the value of the $63 billion corporate investments made up of mortgage backed securities could only hold a value of $33 billion as stated by Larry Fazio at the September 2009 St. Louis town hall meeting. I recall a webinar hosted by US Central in 2008 where it appeared Kent Buckham, an NCUA Examiner, expressed no concern and in my opinion defended and endorsed the safety and soundness of US Central's balance sheet. I would like to think that NCUA has developed and spent more time preparing an internal procedures guide of over 250 pages to correct the mistakes that the examiners have made. It seems like this proposed regulation is punishment of the entire corporate credit union network regardless of how they were being managed and operated. My corporate credit union made two mistakes- they trusted US Central and trusted the supervision of US Central and for that they lost all their reserves, undivided earnings, and their members' paid in capital. I believe proper supervision of corporate credit unions is crucial and needs to be carefully reviewed with as much scrutiny as the proposed regulation so trust can be restored.

Successful Planning- I am very concerned that a proposed regulation seems to have been thrown together without being tested or modeled. In comments made by NCUA at the town hall meetings it was made clear that an unnamed firm was testing the regulation. If these test results come back and conclude that this proposed regulation will not work then I would be embarrassed to guess how much time and money has been wasted by the industry reading, reviewing and commenting for no reason. A logical approach would be to have a plan that has been tested and then ask for comments. I would also suggest seeking the advice and comments from corporate credit unions which did not contribute to this crisis. I believe they could offer valuable insight on operational issues which will be addressed in the regulation. It would also be prudent to select a group of natural person credit union representatives from different regions who use corporate credit unions to help form this regulation. I love to hear how we own this system, so it would only seem right for us to help form (not just comment) the system. A large area of concern is the toxic assets that are still in the corporate network. I think this proposed regulation is putting the cart in front of the horse. If there is not an acceptable plan to deal with these toxic investments then there will be no need to have proposed regulation. Having just lost all of our paid in capital and apparently a portion of our membership capital there is no need to talk about future business until this mess is cleaned up.

Proposed Regulation Concerns-
The capital and earnings requirement needs to be changed. Higher levels of capital are necessary but the timeframes given in the proposed regulation are unrealistic given the current starting point. The retained earnings requirement will make it impossible for the corporate credit unions to compete and provide value. There needs to be an adequate transition period to meet any new requirements.

Investments need to have concentration limits, but if corporate credit unions do not have the ability to manage some risk than there will be no return. I believe this portion of the regulation needs to be tested (using actual balance sheet projections in today's market to ensure proper earnings can be achieved. Another area which should be changed is the two year proposed average weighted life of the investment portfolio which is too restrictive and will not allow the corporate to achieve sufficient yield.

Governance- I would like to see the best qualified board members direct and guide my Corporate Credit Union. If they serve three years that is fine and if they serve ten years I have no problems with that either. I think it would take quite some time to become an effective board member and I would not want to get rid of someone who was doing an excellent job and understood the business model and replace them with someone who knows nothing just because time is up. I do not believe board members were the cause of the corporate losses. I would rather spend more time making sure that the appropriate management and staff (especially those handling investments) are adequately trained to handle the daily operations.

In conclusion, I would like to ask NCUA to listen to the many concerns noted and form a group of Corporate Credit Union and Natural Person Credit Union professionals to devise an acceptable plan for the toxic assets and then start forming regulation that will serve the industry well for many years. Please take your time so we get this right and avoid further costly mistakes. I appreciate the opportunity to express my views and share my concerns.

Respectfully Submitted,
Randy Marks
President, MECE Credit Union