

Mrs. Mary Rupp
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Thank You for allowing us to comment on Proposed Regulation 12 CFR part 704.

Let me begin by noting our support of the Corporate Credit Union system. Admittedly that support has been tested in the last several months. We have, like all insured credit unions, participated in the write down and write offs necessitated by the recognition of losses at USCFCU, WesCorp FCU as well as our own Corporate. The tragedy that has unfolded may eventually lead to the demise of the Credit Union Movement, a movement that I personally have been a part of for some 45 years. Yes, I feel the possibility exists that credit unions may not survive as their ability to compete is severely damaged and will be sorely tested in an environment that will lead to fractures in the co-operative ideology that binds all credit unions together and at the same time creates weakness that we are all ultimately liable for.

We can measure the cost of losing our Corporate (CenCorp) and it annualizes at some 25 thousand dollars. This is a significant amount for our 40 million dollar credit union. Savings we can ill afford to lose in a time of ever slimming margins. Yet our greater fear is that, left to a less competitive, more profit motivated environment, those lost savings would multiply as other providers would see the opportunity to increase their pricing in a world devoid of a "Corporate" alternative.

I began my career in the 60's. It was a time of great unrest for our nation. As a citizen I observed a great change in our society and felt first hand the disenfranchisement of many of our people. I experienced race riots and an unpopular foreign war that pitted Americans one against another. Presidents, Civil Rights advocates and innocent students gunned down as they simply exercised their democratic rights. One of those important rights is self determination and one of its finest examples is credit unions. Oh the numbers were greater and they were much smaller but the purpose was the same as it is or should be today. You can imagine how I felt about a movement that held so much promise for the average person. Sometimes we were their only hope and right now that is becoming more important than it has in a long time.

Today that movement is threatened. We owe a large bill and worse yet we are paying off the mistakes of others. There are many issues here and none can be forgotten or go unrepaired if we are to keep the hope of credit unions alive. A failure to save the network has a price that we should be unwilling to pay. No matter what our size is if we abandon our co operative network we hasten the demise of our movement and its promise. Taking that hope away is not a prescription for what ails our members.

In 2002 when NCUA allowed expanded authority our problems began. For whatever reason the dangers of the expanded authorities were seen but safeguards, while discussed and made a part of the authorities were ignored or not enforced. As a consequence the self serving motives of a few controlled the actions of the larger Corporate and led to the losses we now must pay for.

The only way to ensure that never happens again is to completely change NCUA while reforming the Corporate system. Those responsible for its regulation must accept their share of the blame and change the structure that allowed for it. Confidence can never be restored without that reform and public acceptance of regulatory responsibility. NCUA is not limited to facing just the Corporate issue it also faces an increasing threat from Natural Person Credit Unions that are posing challenges to our fund because of their failure to practice sound lending and or reliance on fee revenues extracted from members of limited means under the guise of being the best thing for them.

Transparency cannot be just a word. It must be a way of life and an integral part of the process. We live in an age of accessibility to information never before attainable in our society. To tell the regulated that “it is better not to know” by refusing to disclose is tantamount to agreeing to accept the resultant mistrust. Censure by threat of retaliation smacks of Orwell’s 1984 and will be greeted by that same mistrust and unwillingness to co operate. NCUA is the servant of the people and its existence, like mine, depends on the trust of our constituents.

There is no doubt that the Corporate Network must shrink. The capital requirements will demand we no longer gather deposits simply to grow. Frankly it’s about time we got back to realizing that if we can’t use it to help members it does little good for credit unions. Whatever form emerges we continue to believe that the solution is much less complex than proposals we continue to hear that will somehow “bulletproof” the network.

In a previous ANPR we observed (On behalf of CU Partners and its member/owner credit unions) that a simple rollback of authorities would go a long way to stabilizing the network. We also opined that term limiting Directors would create inexperienced Boards that sometimes face a strong CEO whose motives might be more personal than institutionally oriented. Lately we have heard a proposal that somehow a super Corporate be developed by collapsing the network into one USCFCU type institution. This strategy could eventually lead to a less competitive institution that could fall into the control of people who, once again, make decisions based on personal rather than credit union principles.

We do realize that NCUA has most probably already determined what the future holds for Corporate Credit Unions. We also know that the greatest challenge, recapitalizing the survivors, lies ahead. There are many who know that they will not participate having been severely stung by the betrayal of many of the participants in and out of the network. Without writing a constitution that requires approval of member credit unions for any rule changes the recapitalization will not occur. Then it will be a slow death for NPCU’s.

Those that survive will eventually morph into a Mutual or adopt a charter change that will allow them to continue in business. The victim will be the credit union charter and its millions of members. Ownership and the right of self determination will be nothing but a memory.

Surprisingly it has not taken us long to get to this sink or swim position. This is a great responsibility for the Board of NCUA and Credit Unions around the country. Failing to act properly without considering the eventual consequence of our actions is something we will all live or die with.

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