

March 8, 2010

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

Re: Proposed Regulation 12 CFR Part 704

Dear Ms. Rupp:

On behalf of Pacific Crest Federal Credit Union, we appreciate the opportunity to communicate with the NCUA regarding the rewriting of the Corporate Credit Union Regulation. We agree that the corporate system needs to be restructured, yet we have concerns with the changes as proposed. As a strong supporter of the Corporate Credit Union System, we continue to utilize corporate credit union services and products including settlement transactions, check clearing, investments and lines of credit. We are members of two corporates and want to see corporates survive; however, the restrictiveness of the proposed regulation would severely impact the ability of any corporate credit union to offer a business model proposition that any natural person credit union would find beneficial.

Concerns are as follows:

704.2 Definitions

We would recommend that there be no forced extinguishment of capital until actual cash flow losses are realized. Allow corporates to maintain a retained earnings deficit rather than extinguish member capital in order to maintain the safety and soundness of the industry.

704.6 (c) and (d) Concentration Limits

We recommend including Federal Funds in the exemption from sector limit concentrations, or include Federal Funds in the definition of deposits in 704.6 (d).

704.8 (c) Penalty for early withdrawals on corporate certificates

We recommend retaining the current rule on early withdrawal penalty in order to maintain the corporates' competitiveness in the marketplace for natural person credit unions' investment funds.

704.8 (d), (e), and (f) NEV Sensitivity Analyses

We suggest that these sections be amended to provide more flexibility for corporates by eliminating the sensitivity analysis with a 50% reduction in prepayment speeds; and by utilizing an analysis based on a 100 basis point shock versus a 300 basis point shock; and to allow a 35% NEV volatility.

704.8 (h) Two Year Weighted Average Life

We recommend that the weighted average asset life be reconsidered at a 3 year weighted average asset life, or removal of this provision, in order to give the corporate the ability to have earnings sufficient to offer competitive products to natural person credit unions.

We are also concerned that the recapitalization of corporates by natural person credit unions may not occur at the level necessary because natural person credit unions' Board of Directors will not wish to approve additional at-risk capital investments in corporates if there is no method in place to recover losses due to NCUA's treatment of legacy assets. This is an obstacle that will have to be addressed and overcome if the corporate credit union system is to have a future.

We know that change in the corporate system is needed. We want to see corporate credit unions fulfilling their core mission of helping natural person credit unions operate in the financial system. We hope that the NCUA will thoughtfully consider our comments, as well as those of other credit unions, with the result being a regulation that will allow for a strong and safe future for our corporates.

Sincerely,

A handwritten signature in black ink that reads "Kathie Philp". The signature is written in a cursive, flowing style.

Kathie Philp
President/CEO