



**PUEBLO GOVERNMENT AGENCIES
FEDERAL CREDIT UNION**

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Pueblo, Colorado 81003
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**Mary Rupp, Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428
March 9, 2010**

Re: Comments on Proposed Rule Part 704 – Corporate Credit Union

Dear Ms. Rupp,

We are a small (\$25 M) credit union serving federal government employees in Southern Colorado. We are too small to afford high priced CPAs, attorneys, or financial gurus to provide even a guess of how your proposed Part 704 rule will affect us or our corporate partners in the future. In discussing this with several NPCU's approximately our size I do know what we must have going forward and I certainly and most strongly disagree with some of the assertions made by our current corporate partner that somehow we were to blame for the current economic crisis because we didn't demand "lower risk and return" during the period prior to this crisis or that "we pressured them (SunCorp) for the higher rates and lower fees and we accepted the capital levels" as our loyal state credit union association and SunCorp remark in their 704 comments.

There is a lot of blame to go around for not only how this crisis got started but also how it was handled after the fact. A lot of that blame belongs to NCUA as well as CCU greed and some NPCU's who allowed high yields to overshadow the huge risk that was being taken (regardless of ratings). There are lessons to be learned by all and frankly I don't see many of those lessons being taken seriously – not by the CCU's who want to shoulder no blame or NCUA who provided (and still wants to provide) knee jerk reactions to long term solutions and not by State or National Associations who somehow still think playing golf with the elite at the CCU's and endorsing their every recommendation concerning the 704 issue is going to actually solve anything.

What I do know is Pueblo Government Agencies Federal Credit Union play NO part in the decisions made leading up to the crisis, the decisions made during the crisis or even the decisions made after the crisis (mostly because no one really wanted to listen) but our members are sure being made to pay for the crisis. We did not have or do any Alt-A or Sub-prime loans, we did not have any "investments" outside of insured CD funds except for the "Paid In Capital" and "Membership Shares" we had with our corporate and we all know what is happening to those. However, in spite of this, we did manage to maintain

an above average capital position and a very positive ROA and high CAMEL ratings during and even AFTER the crisis. So we find it difficult to adhere to our corporate's assertion that they can't function under the same guidelines. CCU's must be better capitalized and we recognize that, however, the solution can not include holding services to NPCU's ransom to increase their capitalization nor should NPCU's be forced to "re-capitalize" CCU's they have already capitalized and lost. In no business model I am aware of does a vendor (CCU's) get to cause the customer (NPCU's) huge losses and then request even more un-insured funds to continue doing business as they always have. I know that my members would string me up on the flagpole outside our credit union if I suggest we give just one more dollar to our so-called "corporate partners".

We strongly endorse the governance changes, although we would gladly give up knowledge of executive compensation for an absolute requirement for corporate updates and Q&A periods on a minimum of a monthly basis with all members. Prior to the crisis we hardly ever heard from our CCU and now we hear from them monthly – sometimes weekly. If we had had that kind of communication before the crisis I dare say they might have either actually had room to "blame" NPCU's for the crisis or heaven forbid maybe even headed off the crisis (of course that would have required them to listen and no regulation is going to fix that).

That said, and the sad truth is, we absolutely need the services our corporate provides us, especially the processing and liquidity portions. We know frankly we can't survive long without it. Whatever processes NCUA takes with Part 704 they must ensure either survival of the corporate system or simultaneous replacement with a like system. NCUA, Federal Reserve, and Congressional compliance issues have become overwhelming enough for small NPCU's, we simply can not afford to manage our own processing and there simply are not any viable liquidity options available. Our strongest recommendation is to back off this Part 704 change until such time a true, honest, working and long term fix can be put in place. What is currently proposed is too big, too vague, too all encompassing, and too kneejerk to work of even know if it will work. If it is NCUA's intention to eliminate the means for small NPCU's to survive and be left with only Mega-NPCU's then go ahead and push this forward – if not, then slow down and let's take this one fix at a time with a keen understanding of just exactly what the credit union movement is supposed to be about – Hint: It's not about Corporate Credit Unions or NCUA!

Sincerely,



Bart Hall
CEO