CSE CREDIT UNION, INC. 84 Wadsworth St., Hartford, Connecticut 06106 (860) 522-5388

Via Fax: (703) 518-6319

March 9, 2010

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

Re: Corporate Credit Unions Proposed Rule published December 9, 2009 12 CFR Parts 702, 703, 704, et al.

Dear Ms Rupp:

Thank you for giving me the opportunity to comment on the Corporate Credit Union Proposed Rule. Corporate Credit Unions play a vital role in the success of Natural Persons Credit Unions. It is imperative that changes to their structure do not prevent them from filling this role.

Sincerely,

Daniel R. Daigle
CEO

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I. Value Provided

Constitution Corporate is valued because of the benefit it brings to the movement in the State of Connecticut in the form of expertise, services and support. The Trust in Constitution to fulfill vital roles is evidenced by the high market penetration in Connecticut Credit Unions. Constitution's is a noble commitment which permits Connecticut Credit Unions to keep their operating expenses low, have access to affordable liquidity, and generate investment income with a premium on safety all for the purpose of returning more to the members of NPCUs. Simply put, Constitution's role is fundamental to allowing Connecticut Credit Unions to fulfill their mission of service to their members.

II. Capital Requirements

NCUA has recognized that shielding new capital investments from immediate loss from "legacy assets" on corporates' books is required and has made it an agency priority to develop a proposed solution to this issue. I feel this will be vital to the healthy recapitalization of corporates. The one to three-year time frame for recapitalization is not reasonable and a ten year time frame should be adopted.

III. Deposit Concentration Limitations

Basing it on "professional judgment," NCUA maintains that deposit concentration must be kept below 10 % so that no one single depositor can wield too much power over a corporate. However, serious consideration should be given to the negative impact this requirement would have on smaller corporates and the credit union system.

<u>Immediate Impact on Corporate Assets</u>

Under this restriction, corporates and the credit union system will lose deposits when they can least afford to. Even with a 30 month phase-in, deposits will be quickly and significantly withdrawn. Some deposits already have been taken out of the system on the mere possibility of this change. When assessing the immediate impact on corporate assets, it is reasonable to infer that any depositor in need of two-year investments would have little choice but to immediately move maturing investments away from the corporate credit union. This will be necessitated by the need to manage their future deposit concentration. Even if a large depositor were comfortable with investing in two-year term certificates, after six months under the new rule, they would no longer be able to take advantage of the full 24-month NCUA investment guarantee. This guarantee has been vital in weathering this financial turmoil.

<u>Cumulative Effect of Corporate Declining Assets</u>

As large depositors adjust investments to the 10% limit, the assets of the corporate will decline. As more and more assets are forced to be withdrawn from a corporate, large depositors will be forced to make further withdrawals. Eventually, even those depositors that were comfortably at 7 or 8% of corporate assets will exceed the 10% limit and be forced to withdraw deposits. The effect of this cumulative reduction in corporate assets will ultimately mean that large depositors will have to reduce their deposits to a dollar level much lower than 10% of the corporate's current assets. Simply put, large depositors are not just reducing deposit concentration to 10% of the corporate's current assets, they are reducing deposit concentration to 10% of a much smaller asset base sometime in the future. And it is not just going to have implications for depositors over 10%; it is going to have implications for depositors currently below that threshold as well. Furthermore, since the deposit concentration would also include the amount of contributed membership capital, the 10% requirement would also be a barrier to recapitalizing the corporate.

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Negative Impact on NPCU's Safety and Profitability

The resultant reallocation of investments will also take its toll on NPCU's safety and profitability. Reallocation into treasury-type instruments will further deteriorate an NPCU's return on assets, an undesirable effect during this period of declining capital, high regulatory assessments and loan losses. Alternatively, seeking out higher-yielding riskier instruments could impair NPCU safety.

Deposit Concentration Concerns

If a deposit concentration limit is required at all, 40% should be sufficient.

To appropriately address funding concentration concerns ,the regulation should make it harder for depositors to terminate corporate-term certificates. This can be accomplished by the proposed early withdrawal penalties which I support. Also, the new ALM requirements will curtail negative effects wrought by a single depositor's support of a corporate. Since corporates will be obligated to match investments and certificates, a 10 % depositor limit will not be necessary to ensure stability or prevent undue influence.

IV. Governance/ Representation

I have not witnessed where the current governance structure has been the cause of concern. Term limits appear to be the solution of the day and do not properly weigh the value that skills, understanding and dedication can bring. And, in light of the NCUA's stated intent to provide the least amount of indemnification to volunteers as possible, I think it is unreasonable to assume that corporates have access to an inexhaustible supply of credit union talent. NCUA should be building confidence and support for volunteers, not discouraging their participation.

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