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IBEW & United Workers Federal CU

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March 9, 2010

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

RE: Proposed Regulation 12 CFR Part 704

Dear Ms. Rupp:

On behalf of my Credit Union I thank the NCUA board for the opportunity to comment on the Proposed Corporate Regulation. We respect and appreciate the amount of time and work it has taken to draft this proposal and we fully understand that the Board may have had at its disposal additional facts that we have not seen. Further we assume that this regulation as well as any other action taken is designed to accomplish the goals of continuation of the Credit Union System and the mitigation of risk in the future. I believe we would all agree that we never want to experience the events of the past year again however there is risk inherent in doing business and there is no way to completely eliminate it. In some ways the proposed regulation appears to attempt to do just that and we are concerned that the overly restrictive elements may create an environment in which the corporate credit unions cannot survive.

IBEW & United Workers Federal Credit Union is an approximately \$64 million institution serving a restricted field of membership of union members and their families. We are members of two corporate credit unions, in part due to the urging of previous NCUA examiners, WesCorp and Southwest Corporate. We have used these institutions for daily cash accounts and liquidity needs, longer-term investments and investment services and payment system services. The availability of cost-effective services has enabled us to expand service to our membership and to support our industry.

The following are the major concerns of IBEW & United Workers FCU:

1. **Capitalization.** The events of 2009 have resulted in a substantial loss to our Credit Union to the point that our Board would currently refuse to consider recapitalization of any corporate credit union. In order to change this view we would need to see mitigation of the risk to our credit union in the form of a guarantee that legacy assets would be removed as a future threat to our capital. **Provide and implement a legacy asset solution before the final rule becomes effective and NPCU's are asked to recapitalize corporate credit unions. If this is not done the rest of this discussion may be unnecessary.** We did not agree that depletion of MCA based on projected losses and we could not confirm that that action was required by GAAP. **Remove or change from the final rule the requirement to deplete MCA balances based only on projected OTTI.** The requirement contained in the proposal for the CCU's to meet a 4% risk-based capital ratio within one-year is too short especially without an implemented solution for legacy assets. It is unrealistic to assume that NPCU's will be willing to provide additional capital without guarantees of safety which will come from the actions of the NCUA and the CCU's themselves. We would not be willing to recapitalize until we fully understood the new rule and we were able to evaluate how our corporate was complying and how NCUA was monitoring and enforcing compliance.



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**Extend the time frame to reach capital ratio levels to a minimum of three years. Provide an alternative source of capital to meet operating needs of the CCU's during the rebuilding period.**

2. **Corporate governance.** The proposed rule restricts board members to current NPCU CEO's, CFO's or COO's. **Board members should meet a list of specific experience and education requirements instead of being qualified just due to current job position. An effective board member of a CCU must understand the operation and needs of NPCU's and CCU's. Continuing education requirements should also be specified and if enforced should eliminate the term limit requirement. Create a list of minimum specific required expertise for initial qualification and a list of continuing education annual requirements.**
3. **Investments.** The proposed rule appears to make it difficult if not impossible for CCU's to earn sufficient returns to accumulate the required retained earnings. While we agree with concentration limits since it appears that this was in part what caused the current problem, we believe that Fed Funds should be added to the exemption list of investments in other institutions. **Add Fed Funds to the exemption from sector concentration limits. Require extensive, well defined due diligence be done on every investment made by CCU's including more than two current agency ratings, using the lowest rating obtained.**
4. **Weighted average asset life.** 2-years is too restrictive and will not allow for sufficient returns. Although our Credit Union has not borrowed from any corporate there are many credit unions that do and this is not a time to eliminate the services that CCU's provide to NPCU. In this same section, 704.8 the proposal places a limit on the redemption value of share certificates which will hinder the CCU's ability to be competitive in the marketplace and therefore may decrease the deposits NPCU's are willing to make in CCU share certificates. **Eliminate the 2 year average asset life requirement and remove the maximum redemption value for certificates.**
5. **CUSO Activities.** The proposal's list of permissible services does not include many of the services that corporate CUSO's currently provide. As we have said before this is not the time to force NPCU to seek out alternative service providers. Our Credit Union would like to see consideration given to moving all current services provided by CCU's into the CUSO including payment services. We find the proposal to be too restrictive. **Expand the permissible services of CCU CUSO's to include at least all of those services currently offered under the previous regulation. Allow for the expansion of service offerings based on input from NPCU.**

This is a very challenging time for our industry. It is our hope that a compromise can be found in a Corporate Regulation that will allow all of us to once again have faith in the system. Regardless of the terms of any new regulation it will only be as good as its implementation and enforcement. Since the currently proposed regulation does not give me the tools necessary to convince my board to reinvest in our corporate system we hope that revisions will be considered. Thanks again for the opportunity to submit our comments.

Sincerely,

  
 Barbara Mathey  
 President/CEO  
 IBEW & United Workers Federal Credit Union

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