

**Viriva Community Credit Union**  
**157 York Road**  
**Warminster, PA 18974**

March 9, 2010

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

Re: Comments on Part 704 Corporate Credit Unions

Dear Ms. Rupp:

On behalf of our institution's members and board of directors I'd like to thank you for the opportunity to comment on the proposed Regulation Part 704 concerning the corporate credit union network. While I agree with the overall intent of the regulation to ultimately safeguard the insurance fund and assets of both corporate and natural person credit unions (NPCU's) I'm concerned that the regulation is too restrictive in certain areas, as outlined below.

**Capital Levels**

Given that natural person credit unions require access to the services provided by corporate credit unions (i.e., settlement, payments, liquidity, investment and other correspondent services), as well as a reasonable rate of return on the funds on deposit there, and in light of the current economy and proposed investment restrictions, I think it's unreasonable to expect a corporate to be able to accumulate 45 basis points (bp's) in retained earnings in three years, let alone 100 bp's in six years or 200 bp's in ten years. This timeframe needs to be modeled using more realistic parameters and extended further into the future, so as to allow corporates adequate time to accumulate sufficient retained earnings.

Regarding the "standards for determination of appropriate capital" mathematical formulas should be the primary factor, with the regulator's subjective judgment playing a minor role in this area, as opposed to vice versa.

**Investments/Credit Risk/Asset Liability Management**

Due to the problems associated with the higher investment powers previously granted to some corporates it's apparent that such powers need to be revoked. The concern, however, is that the proposed regulation goes too far by eliminating the Base Plus authority, which most corporates will need in order to generate sufficient income.

In regards to the "single obligor" limitation it needs to be increased to 100% of capital, as it relates to cash deposits in other financial institutions, so as to provide corporates with ample, yet manageable, depository options.

As for Asset Liability Management concerns I'd advocate that the regulation mirror that of corresponding bank regulations, rather than being more restrictive, so as to optimize corporate returns.

## **CUSO's**

Given that our credit union utilizes Mid-Atlantic Corporate FCU's CUSO, namely My CU Services, for our electronic bill pay program and it is not currently a specified "permissible" CUSO I'm asking that existing corporate CUSO's be either grandfathered or provided an extended timeframe under which to receive regulatory approval, so as not to disrupt service provided to members of NPCU's.

## **Board Representation**

Although I agree that all corporate board members should be representatives of NPCU's I don't believe that they need to hold the title of CEO, CFO or COO to qualify, as each respective corporate's nominating committee should establish said qualifications. As for term limits I think they are appropriate, however the 6 year proposal is too short and needs to be extended to 12 years, so as to ensure a fair amount of stability, experience and positive energy.

In closing I'd like to thank you, again, for allowing me to share my opinion on these topics and hope that they will be of value in formulating a fair, and final, corporate regulation.

Sincerely,

James F. McCaw  
President/CEO