BIRMINGHAM POLICE CREDIT UNION

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March 9, 2010

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

Dear Ms. Rupp:

We would like to express our appreciation for the opportunity to comment on the proposed corporate credit union regulation. Due to the current economic situation, it is obvious that change is needed within the corporate network. We need to look at what caused the problems, and come up with solutions that will provide long term sustainability for the credit union system as a whole. It is important we remember the purpose of a Corporate Credit Union: to perform the same services and products as a member owned CUSO and to provide a source for mutual funds. We want the corporate network to continue to serve their natural person credit union members with these two purposes in mind, and realize this meltdown was caused by poor management decisions, not the structure of the corporates.

We know guidance and regulations are necessary, but a regulatory agency should not be given an inordinate amount of power so that it affects the ability of a corporate credit union to serve its primary functions, which is helping credit unions by offering low cost services and providing a source for liquidity. In reviewing the proposed regulation, we believe some sections will not promote long term survival for all natural person credit unions and corporates who provide needed support.

We appreciate your consideration of our comments and the likely detrimental impact that some sections of the regulation would have on the credit union system, not just corporate credit unions network.

704.3(c) Perpetual Contributed Capital

Considering the past year's events regarding capital impairment, it is probable that many credit unions will not want to recapitalize their corporate credit unions. This section of the regulation would give corporates the power to condition membership and/or services on the purchase of permanent capital shares, which would put many natural person credit unions in a situation where they could not serve their members. We suggest a twelve month window for the credit union to exercise an orderly termination of its services with the requiring corporate. With this suggestion a natural person credit union will not be placed in a position where their access the payment systems could be immediately cut off.

704.3(c)(3) Perpetual Contributed Capital Call Feature

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The decision to exercise the call feature for perpetual capital should remain with the issuing corporate, and should not require pre-approval from the NCUA, which this section would require.

704.3(d)(4)(v) Increased Individual Capital Requirement

This section gives the Director of the Office of Corporate Credit Unions (OCCU) the power to increase capital requirements for any corporate without the option for an appeals process. By providing this level of power to one NCUA employee, the proposed provision could be detrimental to the members and owners of any corporate credit union.

704.3(e)(3) Disallowing Capital from Inclusion in Ratios

In regards to the previous regulation mentioned, we believe the Director of the OCCU, or any other NCUA employee, should NOT have the power to unilaterally decide that capital accounts could not be included in applicable capital ratios.

704.4(d)(3) Lowering the Capital Category

This section gives the Director of the OCCU the authority to unilaterally change the capital category of a corporate credit union. We strongly oppose this suggested regulation because it gives one NCUA employee the power to force an adequately capitalized corporate to comply with restrictions based on one person's opinion. As our national government requires a checks and balances between the executive, judicial and legislative branches to avoid one individual or a group of individuals controlling the government, so too should the NCUA consider the ramifications of one individual having too much authority.

704.4(d)(4) Lowering the Capital Category for Good Cause

This section allows a power shift from the NCUA Board to the Director of the OCCU, and with one individual being granted so much power, essentially the respective boards of all corporates would be employees of this one person. Once again, too much decision making power would be given to a single person.

704.4(k)(1) Payment of Dividends

The proposed regulation prohibits an undercapitalized corporate from paying dividends on capital accounts. This section should only apply to corporate credit unions that are significantly or critically undercapitalized.

704.4(k)(2)(v) Powers over Undercapitalized Corporates

If a corporate is deemed undercapitalized (even if the Director of OCCU lowers the category from adequately capitalized), The NCUA will have the authority to enforce a variety of actions on a corporate credit union that in our opinion overstep the capacity that NCUA should be exercising in its role as a regulator, not as a manager. As referenced in section 704.4(k)(3)(ii), the applicable actions that could be taken by NCUA are applicable to significantly or critically undercapitalized corporates. Unfortunately, section 704.4(k)(2)(v) allows the Director of the OCCU to apply them to those corporates that are merely undercapitalized. **Therefore, by exercising his power to lower individual capital categories, the Director of the OCCU can fire any employee and/or remove any board at any existing corporate, and he will be able to do so at any time he chooses for years to come.**

704.4(k)(6)(ii)(C) Charter or Bylaws for State Chartered Corporates

This section seizes the power of state regulators by allowing NCUA to preclude a bylaw change for state chartered corporates. Essentially, this would infringe upon the viability of the dual charter system for credit unions.

704.8(e) Average life mismatch modeling

This section of the proposed regulation would undoubtedly force corporate credit unions to invest in short-term securities that contain credit risk and reduce their respective positions in government-backed bonds with moderate WALs. Our suggestion would be to require the average life mismatch modeling only on the book of business that contains securities with credit risk, otherwise credit risk will increase and the effects of credit spread widening will be broadened.

704.8(h) Two-year average life

By assigning an arbitrary limit on the maximum WAL of the investment portfolio, the proposed regulation will actually increase credit risk and liquidity risk on the balance sheet as opposed to reducing them.

704.8(k) Deposit Concentrations

This section limits deposits from any one source to no more than ten percent of a corporate's assets, and the purpose of this regulation is to reduce risks from placing undue reliance on a single entity. But this could reduce liquidity in the credit union network as most natural person credit unions would withdraw funds from the system. This overall decreased liquidity within the system could result in the restriction of credit some natural person credit unions would otherwise provide their own members.

We recommend that deposits from one source be limited to more than ten percent of a corporate's assets OR one hundred percent of a corporate's assets that carry a risk weighting of 20 percent or less.

707.4 Prompt Corrective Action

In the interest of transparency, corporate credit unions should be required to disclose their capital category. By prohibiting that information from being broadcasted the proposed regulation would hide important information from individual corporates and their respective member/owners.

Because our corporate credit union has continued to provide us with good leadership, low cost services, competitive investment rates, and other options that assist us with serving the needs of our members, we continue to support them. Without their assistance natural person credit unions would not be able to successfully prosper, and would be forced to seek potentially riskier and non-credit affiliated solutions.

Again, thank you for the opportunity to respond to the proposed regulation.

Sincerely,

LaVelle D. Noblitt, CEO

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