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

Reference: Proposed Regulation 12 C.F.R. Part 704

Dear Ms. Rupp:

Proposed regulation 12 C.F.R. Part 704 is currently out for comment through March 9, 2010. There are unintended consequences to credit unions that are measurable if the regulation is enacted as it is currently written. From the proposed regulation, I would like to bring to your attention some critical points.

Legacy assets can have a significant impact on the books. When corporate credit unions have OTTI on their own books, they still have adjustments to make to net interest income going forward, equaling about 10 basis points. This makes it impossible for those corporate credit unions to meet the proposed capital requirements. In addition, members are highly unlikely to re-capitalize a corporate credit union if they will continue to be exposed to losses from these assets. This would also prevent corporate credit unions from paying market rates to its member credit unions on virtually any of its deposits.

There has been discussion that NCUA might assume legacy assets and that future recoveries might then be distributed back to NCUA's credit unions. It is important to remember that there are ASI insured credit unions that have also written off corporate credit union Paid-in-Capital and Membership Shares who would be entitled to future legacy asset recoveries.

With respect to governance and board limits, we firmly believe that term limits do not ensure an experienced, well qualified, and diverse board. Term limits only ensure a new board. It is much more important to charge a corporate credit union's nominating committee with the responsibility of establishing detailed criteria for the expertise of board members. Nominating committees should be required to define the qualifications of potential candidates. Corporate credit unions should also require that boards and board members adopt best practices related to attendance, training, self assessment and review. We recommend expanding the proposed term limit of 6 years to 9 to 12 years to allow for knowledge buildup that only occurs over time.

The Proposed Regulation prevents indemnity in some cases, exposing volunteer directors and management to unlimited personal risk. This could certainly result in extreme difficulty recruiting and maintaining volunteers and management. Quality leadership is critical for the future. Preventing indemnity in certain situations would cause many qualified leaders not to participate.

In conclusion, it is important for NCUA to recognize the tremendous value that corporate credit unions have added to the credit unions industry for many many years. Not only have they strengthened and stabilized their member credit unions, also the industry as a whole. Please do not attempt to remove risk totally or to minimize risk to a level near zero at the corporate credit union level. This movement would likely lead to the total destruction of the credit union industry as a whole. Instead and more importantly, give corporate credit unions the leeway to manage risk responsibly and meet the needs of its member credit unions.

Respectfully submitted,

Michelle O'Bryan
Staley Credit Union Board Member

1911