

Dream. Plan. Achieve.



March 8, 2010

Board of Directors
National Credit Union Administration
1775 Duke Street
Alexandria VA 22314

To Whom It May Concern:

I wanted to share some thoughts and concerns regarding the proposed Regulation 704. We are a state-chartered credit union of fairly good size (\$700 million in assets) serving 50,000 members primarily located in the South Puget Sound area of Washington State.

In 2009 we posted a net loss of approximately \$500,000 due in large part to the failures in the corporate credit union system. Sharing this information with those in attendance at our Annual Membership Meeting last week was difficult, and we'd just as soon not have to do that again. To be sure, there are other factors that contributed to this net loss, yet writing off/down corporate credit union capital accounts and the NCUSIF deposit to the tune of \$1.9 million was a significant piece of it.

That being said, we firmly believe that corporate credit unions serve a vital and important role in the greater credit union system. Though our current involvement with corporate credit unions is primarily limited to use of their share draft settlement services, we also have lines of credit established should the need for short- to medium-term liquidity be necessary. Over the years we have used the corporate system for a variety of services, and they served us well as we grew. Most recently, it was necessary for us to rather quickly move our share draft settlement services from the Fed, and we were able to make this change relatively painlessly thanks to the assistance of one of our corporate credit unions. As we benefited from the assistance of corporate credit unions as we grew, we would not like to see the availability of reliable and affordable payment and settlement services and/or liquidity and investment options to smaller credit unions go away.

To that end, the concerns we have regarding some of the proposed changes include the uncertainty of the handling of the so-called "legacy assets" and how the future performance of these assets might impact losses already experienced, or the impact to potential future corporate capital deposits. Beyond this, the proposed NEV tests, weighted average life requirements on loans, and concentration limits seem rather conservative at their proposed levels. The concern would be that these restrictive levels would make it very difficult for corporate credit unions to operate with a sufficient margin to continue allowing them to provide the previously mentioned services at affordable prices.

No One Takes Better Care of *you*

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Though we appreciate the difficulty of the situation, and fully agree that changes must be made that will help insure that a repeat of the kind of losses the credit union system has sustained in the past 12 to 18 months does not occur in the future, we urge Board members to be reasonable in their decisions and to do what is in the long-term best interests of the entire credit union system, with the primary focus on natural-person credit unions. Because the scope of the proposed changes is so broad, and the need for change is so important to the future of the credit union system, we would further urge the Board to take whatever time it feels is necessary to be assured that the changes that are eventually implemented will help insure a healthy system going forward.

Thank you for your time, and for the important work that you do on behalf of the entire credit union system.

Sincerely,



Doug Richardson
Senior Vice President/CFO

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