

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

Re: Proposed Corporate Regulations

Dear Ms. Rupp,

Thank you for the opportunity to comment on the proposed Corporate Regulations. We believe that the existence of Corporate Credit Unions is essential for Natural Person Credit Unions like SIU Credit Union to be able to provide the most cost effective services possible to our members. Corporate Credit Unions are able to provide these cost effective options by aggregating NPCU's into a larger group reducing the cost of doing business to a level that is affordable for all even the smallest of NPCU's. Additional expense is not what Credit Unions need in the challenging economic times we are facing as an industry. Not that some type of guidelines need to be addressed for the Corporate System but my fear is that the proposed regulations are yet another over reaction that the NCUA has demonstrated in the past that has caused great expense to NPCU's. As our governing body, you are charged with not only protecting our members but to insure the system works in a safe and sound manner and not just react in a manner that will handcuff all while crippling some of the institutions you are also charged with protecting. As written, we believe the proposed regulations may cause the ultimate failure of the Corporate Credit Union System.

There are several items that need to be addressed to have the proposed changes work and not cause the extinction of the Corporate System.

1. We believe that implementing a capital requirement is a positive one but the proposed regulation does not allow ample time for the recapitalization to occur. By trying to eliminate "all risk" from an industry where some risk is necessary to generate returns necessary to pay for services, satisfy the requirements of depositors and to be able to grow capital to required levels. The restrictions placed on a corporate in the proposed regulations will not allow capital growth to the required level in the time required. As written, it is not a viable business model for Corporate Credit Unions to succeed.
2. Recapitalization of the Corporate Credit Unions will not be possible unless there is some provision to segregate the existing Legacy Assets held by a Corporate. I am unable to assure my Board that any of our remaining capital is safe so I could not, in good faith, ask the Credit Union Board of Directors to place more money with a Corporate with the risk of loss that is there. We believe that the losses of NPCU's are due to the NCUA not obtaining a second opinion on the performance of investments held by the Corporate Credit Unions and then requiring a write down on performing investments knowing that this action would provide no recovery and causing excess loss to NPCU's. If the investments continue to

perform, we would like to see some provision that would allow a NPCU staying with their Corporate to be able to recover some of the capital lost by prematurely taking a loss due to “What Ifs” from one source.

3. Term Limits of Directors as proposed are pretty restrictive considering the requirements of time and effort for these individuals to perform effectively. We are not in favor of indefinite terms but would suggest that terms be expanded to 9-12 years so the Corporate could capitalize on not only the experience and expertise but the willingness of the individual to volunteer for such a role.
4. We find it hard to understand why a limit would be placed on the deposits from any one source. We thought liquidity in the Corporate System is the key to providing service to NPCU’s. If the proposed limit is imposed it is likely that NPCU’s will withdraw funds from the Corporate System possibly creating results that could lead to additional losses. Forcing money out of the Corporate System and denying NPCU’s a choice of where to invest in institutions appropriate for their needs. I think these limits, and the possible lack of liquidity a corporate may experience, will limit the ability of the corporate to meet the needs of our Credit Union if short term, reasonably priced liquidity were needed.
5. We believe that in order to survive Corporate Credit Unions need to be able to generate sufficient net income to meet the new capital requirements during the phase in period. As proposed we do not believe this is possible. Instead of the two months proposed in the regulation, increase the mismatch to at least six months.

Again, we thank you for the opportunity to express our opinions. It is important that a workable solution is reached that can be of benefit to our whole industry. The Corporate Credit Union System is necessary and brings value to the Credit Union System by providing services that all Credit Unions need. If the proposed regulations are just a reaction to these economic times and an attempt to create a risk free system then future problems may be created for our whole industry. We hope that the NCUA will take all of the comments submitted into consideration and give more thought to how the proposed regulations will have an impact on both corporate and NPCU’s. Then use those comments to come up with a win-win for all concerned.

Sincerely,

Dennis Schaefer  
President/CEO  
SIU Credit Union

