



**Federal**  
**CREDIT UNION**  
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March 9, 2010

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

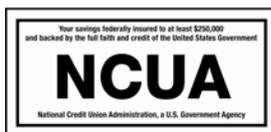
**Re: Proposed Regulation 12 CFR Part 704**

Dear Ms. Rupp:

Let me first thank you for the opportunity to respond to the proposed regulations on Corporate Credit Unions. As a natural person credit union, CP Federal Credit Union is concerned with how the regulation will impact us and our membership. As we spent the last month or so learning about the operations of the Corporate Credit Unions and how the proposed regulation may impact their current operations, we realized there were a few sections that caused us concern. The limitations within the proposed regulation would impact the ability of our Corporate to meet the needs and demands of natural person credit unions and it would be difficult for the Corporate Credit Unions to regain their footing as they strive to re-establish financial stability. The primary concerns of CP Federal Credit Union were:

***Asset Liability Management***

The proposed regulation includes the addition of a “credit spread widening” provision and imposes a two-year weighted average life limitation on the Corporate’s investment portfolio. This limits their ability to invest in floating rate investments and may negatively impact the Corporates ability to generate a sufficient interest margin which is necessary to build the retained earnings needed to meet the proposed capital requirements. As the proposed regulation stands, CP Federal is concerned with the potential of increased fees and lower service levels as Corporate Credit Union’s reduce expenses. After obtaining an understanding from our Corporate Credit Union of this provision, we concur with them and recommend the “credit widening” provision be excluded from the interest rate shock testing as agency securities have historically not been as susceptible to credit spread widening. Furthermore, if a Corporate Credit Union has additional sources of liquidity, then the credit spread widening on a portion of its





investments would be manageable. Instead, a limit on non-agency securities as a multiple of capital should be considered if the credit spread widening is deemed significant. We would also recommend the elimination of the two-year average life limitation on the investment portfolio as this would restrict the purchase of floating-rate assets, including agency backed which may lead to the purchase of other securities with lower yields and potentially more credit risk.

### ***Early Withdrawals of Member Certificates***

The proposed rule may put Corporate Credit Unions at a disadvantage versus other securities if the final rule continues to limit the amount paid on the early redemption of a certificate to the principal amount of the certificate plus accrued interest. It is our belief that the prohibition on gains should be eliminated from the final rule and natural person credit unions should be able to obtain a premium on certificate redemption if liquidity is needed.

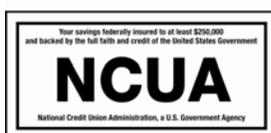
### ***Corporate Capital Requirements***

Under the proposed rule, our existing Member Capital Account (MCA) would no longer qualify as regulatory capital at our Corporate Credit Union. The explanation provided for this change is that a risk-based capital standard and a permanent capital base would have mitigated losses suffered by the Corporate Credit Unions during the past few years. It is our belief the Corporate would have suffered the impairments regardless of the form of capital used as it was mainly caused by the estimated losses within the investment portfolio. We recommend the MCA's remain in place and Corporate Credit Unions have the flexibility to allow for redemption of corporate capital if the Corporate is exceeding the minimum regulatory capital requirement.

### ***Permissible Corporate CUSO***

The proposed regulation limits CUSO activities to brokerage, investment advisory or other activities approved by NCUA. However, it does not address existing CUSOs. As a member of Central Corporate Credit Union (CenCorp), we rely on their business service CUSO for the underwriting of our member business loans. It is our recommendation that existing CUSOs be grandfathered into the proposed rule.

The one uncertainty that remains and was unanswered in the proposed regulation was the transition plan for US Central. I urge you to be transparent and open regarding the plans with US Central. The longer the uncertainty continues to be around, the more credit union members are impacted by it as credit unions continue to control expenses. This limits the innovation within the industry and impacts the members through slower growth in branch locations, new





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products and services and through the implementation of upgrades to existing products and services.

Again, thank you for allowing us to comment on the proposed regulation and for considering our input. While we recognize the implications from the past few years, we continue to remain committed to our Corporate Credit Union and do not want to see the unintended consequences from a few impact our ability to meet the demands of our members. We believe change is needed; however the change needs to be managed in a way that allows the Corporate to limit the amount of risk it assumes while balancing the needs of the natural person credit unions.

Sincerely,

A handwritten signature in cursive script that reads "Bryanna B. Tapley".

Bryanna B. Tapley  
Chief Financial Officer

