From:	Taylor, Philip
To:	_Regulatory Comments
Subject:	Corporate Reg Comments
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Importance:	High

March 9, 2010

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

Subject: Response to Proposed Rule for Corporate Credit Unions (12 CFR Part 704)

Dear Ms. Rupp:

Palmetto Trust Federal Credit Union (PTFCU) appreciates the opportunity to comment on the proposed changes to NCUA Regulation 704. We are a $20 million asset credit union located in Columbia, South Carolina, serving 2,974 members. After doing a cost comparison with a local bank and the Federal Reserve we found that our cost for the services provided by First Carolina Corporate Credit Union (FCCCU) would increase 80% if provided by the bank or 228% if provided by an account directly with the Federal Reserve (because of pricing based on very large numbers receiving much lower pricing). No small credit union can afford such price increases at this time. And, this certainly shows the value of the corporate system to all credit union members.

After much board discussion we agree that the world financial crisis could have been prevented if the rating agencies had rated the securities correctly instead of rating CCC securities as AAA securities because they made more income from these false ratings. The mortgage underwriters would have stopped funding “unusual” mortgages if lower ratings prevented them from selling the securities; they certainly would not have wanted to hold these “unusual” mortgages in their own portfolios. The rating agencies were the key that opened the door to the world financial crisis and we sincerely hope rating agency regulation will be forthcoming from Congress and/or the Federal Reserve.

We need for First Carolina Corporate Credit Union to continue as a viable corporate which provides needed value and services to its member credit unions. There are sections of the proposed regulation that need modification to enable corporates to make enough income to be able to provide value to credit unions. We do not believe that the proposed regulation if passed as written will allow corporate credit unions to continue.

COMMENT on spread widening test of 3-month mismatch target: The requirement to shock the entire balance sheet by 300 points is unrealistic and too restrictive. The spread widening test should be modified to exempt securities that do not carry a credit risk component, such as government-backed and/or government agency investments. And, assets risk-weighted at 20% should be subjected to a lower spread widening test than the proposed 300 basis point model to reflect their lower credit risk component.

COMMENT on sole discretion of OCCU director to require higher capital: We have major issues about the OCCU director having sole discretion to require higher capital by declaring a corporate "undercapitalized" if it receives a single examination component rating of 3 or worse. Capital must be determined by mathematical formula and should never be determined by subjective judgment. The corporate and its member credit unions need to be able to evaluate the stability of their corporate by empirical data, not by unknowable NCUA subjectively determined alternative minimum capital standards, to be able to determine the likelihood of being subjected to Prompt Corrective Action (PCA).

COMMENT on effective phase-in timeline for entire new regulatory guidelines: There needs to be some minimal amount of time given to comply with all sections of the new rules since as written there are numerous provisions of the proposed regulation that are effective immediately upon approval by the NCUA board. We believe that all corporates will be out of compliance with at least one or more of the proposed sections which could put them all under PCA. Therefore, since all corporates are currently operating under an agreement with the NCUA in order to have the share guarantee, there is minimal risk in providing an appropriate transition period for corporate to comply with each of the proposed changes.

COMMENT on director term limits: Since we as members wish to elect the best, most well prepared directors to serve as our representatives on corporate boards we are against any term limits. Corporate financials, services, policies, and procedures are complex and limiting directors to six years would weaken corporate boards' knowledge and sense of the corporate history. We feel term limits of any length would not be in the best interest of the NCUSIF or natural person credit unions.

IN SUMMARY: All corporate credit unions must manage risk. They must be allowed the ability to manage this risk in such a way that real value is provided to member credit unions. There is no doubt that the world financial crisis problems which created the corporate problems would have benefited from greater oversight with current regulations and a few tighter regulations. However, regulation of corporates must not be written as though the corporates were the sole financial sector which has had problems since the Fall of 2008. The proposed regulations virtually eliminates all risk a corporate could manage and, in doing so, makes it impossible for the corporate to continue to provide any value to its member credit unions. We believe that without substantial revisions and modifications the proposed regulation will destroy the corporate system at a time when natural person credit unions and our NCUSIF need our cooperative corporate system to continue to provide low expenses and income value.

Sincerely,
The Board of Directors of
PALMETTO TRUST FEDERAL CREDIT UNION

By Philip M. Taylor, Chairman