

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

Dear Ms. Rupp:

This letter addresses Teachers Credit Union's (TCU) concerns over NCUA's proposed changes to its Corporate Credit Union Rule, 12 C.F.R. Part 704. We appreciate the opportunity to comment on such an important industry issue.

Teachers Credit Union is currently a member of three Corporate Credit Unions (CCU); Members United, WesCorp and EasCorp.

#### Members United

TCU joined Members United in 1979 (IndiCorp) and currently utilize them for Share Draft processing, ACH settlement, Wire processing and cash settlement. The credit union maintains a line of credit of \$30 million.

To date, TCU has lost approximately \$1.1 million of member capital due to Member United write-downs.

#### WesCorp

TCU joined WesCorp in 2002 to access a pilot program approved by the NCUA for purchase of derivative products. TCU never executed a derivative trade but felt it was a beneficial process to prepare our balance sheet for the possibility of executing such a transaction. TCU's primary relationship with WesCorp has been for liquidity. The credit union has its \$1.5 billion auto loan portfolio pledged as collateral for purposes of overnight and term borrowings which provides a \$300 million line of credit.

TCU has written down \$2.2 million of member capital shares at WesCorp due to NCUA placing them into receivership.

#### EasCorp

TCU joined EasCorp in 2009 to provide Remote Deposit Capture services to our membership. This is the only relationship that the credit union has with EasCorp at this time.

TCU does not have member capital shares at EasCorp.

As described above TCU has been an active member in the Corporate system for many years. We realize the importance that system provides to both large and small credit unions and the continuity for managing liquidity and risk. TCU has concerns that the proposed regulation if implemented limits the Corporate Credit Union system to a point that it deteriorates the entire credit union industry.

The below list outlines TCU's concerns;

1. The CCU system needs to be restructured. Whether the restructuring results in one or five CCU's, needs to be determined by the efficiencies and economies of scale that can be provided to the natural person credit unions (NPCU). Efficient access to the markets and Federal Reserve require volumes, a strong CCU system provides group buying power that owned by the NPCU's gives a competitive advantage. The restructuring should be implemented by the NCUA before the regulation is approved.
2. CCU's governance needs superior management and quality Board of Directors oversight. The Sarbanes-Oxley Act of 2002 has a model that already sets the standards in this arena. The proposed regulation should align with these laws.
3. CCU's need to provide liquidity and cash management services to NPCU. Access to investment and borrowing markets as well as transaction and settlement processing, should be core competencies of the CCU system. Large and small NPCU's should have a competitive advantage by using the economies of scale provided by the CCU's. NPCU's will need to invest capital or pay for services at cost for use of the CCU products.
4. NCUA should not set arbitrary financial measures such as duration and net interest margin as regulatory standards for the CCU system. If the proper leadership is deployed and the restructuring is completed, managing the core competencies of the CCU system should be driven by the risk/reward allowed by the Board of Directors and monitored/measured by the regulator.

In closing, the activities provided by the CCU's to the NPCU's did not cause the CCU failures. Economic conditions, unprecedented investment market issues and bad decision-making caused most of the problems. None of which can be controlled by regulation.

These are difficult issues and the opinions are strong and diverse. It is an important cross road for the industry, leadership from the NCUA has never been more important. Again we thank you for the opportunity to comment and appreciate your careful consideration on this matter.

Sincerely

Teachers Credit Union  
South Bend, Indiana