From:	Bob Warren
To:	_Regulatory Comments
Subject:	NCUA"s Proposed Changes to Corp CU"s Part 704
Date:	Tuesday, March 09, 2010 4:57:50 PM

Please accept and consider the following comments related to the proposed regulation. Thank you.

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Virginia Credit Union Response to
NCUA's Proposed Changes to its Corporate Credit Union Rule
12 C.F.R. Part 704

1. We feel the corporate credit union system needs to be smaller. The system needs fewer corporates and a smaller balance sheet. It needs to adjust to the remaining capital because it would appear that natural person credit unions do not have the appetite to significantly recapitalize the system.
2. The interests of natural person credit unions needs to be the primary focus. We feel a credit union owned settlement and payment system is important to the independence of our industry from our competitors. Credit unions do need assistance with liquidity management.
3. The capital standards as set out by NCUA seem reasonable. The corporate system was clearly undercapitalized prior to the financial crisis. The Basel 1 standards seem appropriate. Once again, with limited remaining capital, a smaller corporate credit union system is a must.
4. The corporate credit unions should take on more of an advisory role as far as investments are concerned. The majority of a natural person credit union's investments should reside on its own balance sheet, not that of the corporate.
5. We feel that segregation of the legacy assets needs to be addressed. These assets should somehow be removed from the corporate credit union system if the system is to be recapitalized or reinvented. We do not believe that any credit unions will be willing to further capitalize the corporate system if that capital could be used to cover losses on legacy assets.
6. We agree with the change of listing prohibited activities to listing permissible activities. This removes the ambiguity in what is permissible. Requests could be made for changes/additions to the permissible list if deemed necessary.
7. We generally agree that additional transparency should be required regarding compensation of corporate credit union executives. Flexibility in compensation needs to be sufficient to attract the required talent to manage the organization.
8. We are concerned that the requirement that a corporate credit union have at least 100 bps

of retained earnings after six years and 200 bps after 10 years could be overly difficult to attain. While the other rules and requirements should limit the potential for excessive risk taking, a corporate could conceivably be adequately capitalized with slightly lower earnings.

9. We feel that the limitation on CDO's and ABS's are appropriate. Once again, we feel that the majority of investments should be held on the natural person credit union's balance sheet and not on the corporate's.
10. We are concerned that not being able to redeem certificates at a premium may make it hard for the corporates to attract any deposit funds. Perhaps this could be allowed and be manageable by limiting the maturities of deposits to two years.
11. We are concerned that the prohibition on providing indemnification to corporate directors and management will impose excessive personal and professional liability risk on these individuals. This will make it difficult to find volunteers willing to assume this risk. Indemnification coverage should be allowed.