

From: [Jerry Zehr](#)

To: [_Regulatory Comments](#)

Subject: COMMENTS ON PART 704

Date: Tuesday, March 09, 2010 3:08:25 PM

National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

March 9, 2010

Our thanks to the NCUA for creating the opportunity to provide input on Part 704 as proposed. We firmly believe that over the past 18 months the NCUA has handled the credit union difficulties in both a constructive and positive manner. The actions taken have been necessary and good for the long-term viability of the industry. The proposed changes to the regulation appear to be an excellent starting point for re-regulating the corporate credit unions and for providing needed changes to create more focused financial services providers to natural person credit unions. Our original intent was to

attempt to provide comments that reflected our belief that corporate credit unions are needed, but required greater structure to protect any investment made in them. We believe that they provide great value to us on the operational side and have been additive to our investment activities. Our corporate was and is clearly our best source for a credit line and an integral part of our liquidity program. Given the current uncertainties, we are now researching new avenues for all the services provided to us by our corporate. Our initial analytics have reinforced our belief that corporate credit unions are valuable and we would like to see them resurrected in the most effective manner possible.

As a mid-sized credit union, it is unlikely that we would have offered a new radical model for corporate credit unions operations. We were going to offer some suggestions on the proposal and hope for the best. Having received the Members United response, we now feel that it is more important to reach for greater change as they have adequately documented the short-comings and opportunities created within this crisis. We recognized that this opportunity to respond was to be our thoughts and comments, but having read their document we would be better served to advocate for the kind of change they have outlined in their proposal. I will make the following observations as reinforcement of some of the critical elements and additive information:

1. That a plan to deal with the "legacy assets" be in place prior to any attempts to recapitalize corporates, or a single corporate, is essential to the process.
2. That the reliance on and value of corporates increases geometrically for smaller credit unions, a philosophical issue for consideration by the NCUA.

3. That the base plus variable capital structure used by the Federal Home Loan Banks is a model that should be given consideration as a workable alternative that recognizes the level and form of business engaged in with a corporate.
4. That much of the current investment issues are caused by credit quality and not interest rate risk, which should be given more review and standards created that provide ALM flexibility consistent with the policies, procedures, and expertise of a corporate's management team.

The cooperative nature of the corporate credit unions makes them a more reliable business partner. The ability of the revised Part 704 to rekindle more of that cooperative element and to eliminate unnecessary competition would strengthen the credit union industry. Although it may be considered radical in the opinion of some, the Members United document offers what is a great start to a practical solution in a very trying situation. We may not fully comprehend the difficulty of the task before the NCUA but are confident that together we can find solutions and make the right changes.

Again thank-you for the opportunity,

Jerry
JERRY W. ZEHR
SENIOR VICE PRESIDENT/CFO
FINGER LAKES FEDERAL CREDIT UNION
27 SENECA STREET
PO BOX 433
GENEVA, NEW YORK 14456-0433
315-781-1334 EXT144
315-781-7049 FAX
585-230-0295 CELL
JZEHR@FLFCU.ORG

CONFIDENTIALITY NOTICE: This electronic mail transmission is intended only for the use of the individual or entity to which it is addressed and may contain confidential information belonging to the sender. If you are not the intended recipient, you are hereby notified that any disclosure, copying, distribution, or the taking of any action in reliance on the contents of this information is strictly prohibited. If you have received this transmission in error, please notify the sender immediately by email and delete the original message