DESCO
federal credit union

December 29, 2010

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

Re: NCUA proposed amendments to 12 CFR Parts 701, 704 and 741

Dear Ms. Rupp:

I am writing to you as the President/CEO of Desco Federal Credit Union and a member of the Board of Directors of Corporate One Federal Credit Union.

Overall, I believe the proposed changes are reasonable. However, there are three elements to the proposal that I disagree with:

1. **Membership Limited to One Corporate Credit Union – 701.5**

   Corporate credit union failures did not occur because of competition. Corporate credit union failures have occurred because poor management decisions and a lack of portfolio diversification were exposed during a brutal economic downturn. Also, credit unions have been instructed to manage their concentration risk. The proposal to limit credit unions to one corporate would encourage natural person credit unions to increase their concentration risk.

2. **Equitable Distribution of Corporate Credit Union Stabilization Expenses – 701.21**

   This proposal has the potential to generate three different scenarios:

   A. Non-FICUs volunteer to pay into the stabilization fund. That's not going to happen.
   B. Non-FICUs don't pay into the fund and the membership of the corporate votes to keep the non-FICUs as members. I think this is the most likely and the only prudent scenario.

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C. Non-FICUs don't pay into the fund and the membership of the corporate votes to expel the non-FICUs. Everybody loses. The corporate loses capital and fee income from the expelled entities decreasing the viability of the corporate and putting the capital of the remaining members at a higher level of risk. The expelled non-FICUs must seek services elsewhere (banks) at less attractive terms.

I'm not interested in debating the fairness issue of this proposal. It's subjective and there is no right answer. I'm interested in results. I have been told by numerous examiners that the job at NCUA is to protect the NCUSIF. This proposal has the ability only to harm the fund.

3. Enterprise Risk Management – 704.22

I've had the privilege of sitting on Corporate One Federal Credit Union's Enterprise Risk Management Committee for the past five years. I am also a licensed certified public accountant. Before accepting a position at Desco, I spent over eight years conducting audits while working in the public accounting field. The last two years were as a shareholder. I believe these factors give me an unusually good background to comment in this area.

I believe the requirement to establish enterprise risk management policies and a corresponding committee is a good one. Corporate One has followed these practices for the past five years and it has served the organization well. However, I disagree with the requirement that the independent risk management expert that is required to sit on the enterprise risk management committee be from outside the corporate.

The proposal is written to force corporates to hire outside consultants to sit on their risk management committees. I do not believe an adequate job of analyzing, quantifying and monitoring the risks of an organization as complex as a corporate credit union can be accomplished by a part – time consultant. I suggest as an alternative that the corporates would be better served by having their own in-house full-time risk management experts. The issue of independence could be alleviated by having the risk management expert report directly to the risk management committee, much like an internal auditor reports directly to an audit committee. Also, the committee should report to the board of directors quarterly. Annually is not sufficient.

Sincerely,

R. Lee Powell, Jr.
President/CEO