



December 31, 2010

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

Dear Ms. Rupp:

RE: Proposed Changes to 12 CFR Parts 701, 704

On behalf of the Board and management of EasCorp, thank you for the opportunity to comment on NCUA's Proposed Corporate Credit Union Regulation.

The Proposed Regulation follows sweeping changes to capital, ALM, investment, and organizational standards for corporate credit unions that were adopted by the National Credit Union Administration (NCUA) Board less than three months ago. We at EasCorp have been working diligently to comply with these standards as quickly as possible and are puzzled as to why additional large-scale changes are considered necessary so soon. Nevertheless, we offer the following concerns and recommendations.

701.5 Membership Limited to One Corporate Credit Union

The proposed regulation would limit the number of corporate credit unions to which a federally-chartered natural person credit union (NPCU) may belong. In its analysis of this section, NCUA explains that "some NPCUs rate shopped among corporates for the highest deposit rates and lowest service costs. This rate shopping resulted in increased competition and, in some cases, led to unsafe investment activities as corporates sought higher investment yields to subsidize share dividends and service costs."

Even if we were to stipulate that NCUA's hypothesis is true, this proposed limitation would do nothing to accomplish its purported goal. Corporate credit unions do not operate in a vacuum, competing only with one another. They compete vigorously each day with a wide array of commercial and governmental entities for the business of their NPCU members. Indeed, we at EasCorp are highly motivated to provide members the highest deposit rates and lowest service costs that we can afford, or we risk losing their business to other entities; and it is irrelevant (to us) whether members belong to one, two, or twenty other corporate credit unions.

We contend that NCUA's overriding concern is, and rightfully should be, for the safety of NPCU members' deposits in corporate credit unions and respectfully suggest that you look to the limitations in Part 703 of the Regulations for a remedy to corporate credit union "rate shopping." As you know, Part 703.14 permits a federally-chartered credit union to invest an aggregate of 4 percent of its assets (at the time of purchase) in paid-in capital or membership capital in multiple corporate credit unions. In retrospect, we see this limitation as dangerously excessive and can easily trace its complicity in the misguided growth activities of the several corporate credit unions that recently failed.

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We urge you to reduce this limitation in Part 703 and consider its effect in combination with the tighter standards recently imposed on corporate credit unions in Part 704 re: investment and ALM activity as a solution to the problem NCUA cites. Finally, we encourage you to reconsider and withdraw the proposed Membership Limited to One Corporate Credit Union section in its entirety.

704.22 Enterprise Risk Management

This section would require corporate credit unions to develop and follow an enterprise-wide risk management regime including the creation of a new committee, policies, and reporting routines. It would codify a less formal process used by EasCorp for many years and, generally speaking, we suppose it would enhance the board/management reporting relationship.

Notwithstanding this, EasCorp objects to the requirement that the committee "must include at least one independent risk management expert with sufficient experience in identifying, assessing, and managing risk exposures." The analysis and the proposed section itself describe in detail the professional qualifications of an independent expert, but fails to explain why having an outside, independent person on the committee is necessary or desirable.

Since inception, EasCorp's management has regularly presented for review its risk management processes, calculations, and supporting documents to a battery of independent oversight bodies, including the company's internal auditor, outside financial auditor, outside SAS 70 auditor, supervisory committee and federal examiners. We are hard pressed to understand how or why these reviews lack independence or integrity in any traditional sense. On the other hand, the proposed requirement would increase costs, expose sensitive and confidential information, and potentially disrupt the value system shared within the company's official family.

On balance, we think an independent expert requirement is inappropriate, and we urge NCUA either to document evidence of the value it would add, or drop this requirement in its final rule.

In closing, we thank you once again for this opportunity to comment on the Proposed Corporate Credit Union Regulation.

Sincerely,

Jane C. Melchionda
President/CEO

JCM/md