



January 10, 2011

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

Re: Proposed Amendment to NCUA Regulations Part 701 & 704

Dear Ms. Rupp,

On behalf of Cooperative Business Services, LLC, I appreciate the opportunity to comment on the proposed changes to NCUA's regulations governing corporate credit unions.

The losses incurred at corporate credit unions necessitated a reevaluation of the regulations governing the activities of corporates. We commend the NCUA for carefully evaluating what went wrong and proposing changes to improve the safety and soundness of corporate credit unions in the future. While we agree with several of the proposed changes, we take strong exception to others.

#### One corporate membership provision

The proposal to limit natural person credit unions to membership in only one corporate credit union not only fails to create a safer and sounder system, it is illogical and contrary to the American ideal of competition. There was obviously excessive risk taking by many of the corporates, and that risk taking was undoubtedly spurred by competitive pressures. But that competition came not only from other corporate credit unions, but also from competing entities from outside the credit union industry. Limiting membership to only one corporate will not and should not prevent natural person credit unions from seeking alternative providers. Competition has always been viewed as a healthy component of the American free enterprise system, and that competition is an integral component of innovation and better long-term results for everyone involved.

Risk is an extremely important component in all business ventures. Rather than attempt to eliminate risk on the part of corporates and drive credit unions to solutions found outside the industry, risk must be adequately managed. NCUA plays an important oversight role in the management of risk by both credit unions and corporate credit unions. NCUA would be better advised to focus on identifying, monitoring and acting upon various risks in their examination role than to eliminate many of the factors that contribute to overall risk. We encourage NCUA to increase its competency in examination and

supervisory activities, thus improving the likelihood of appropriate monitoring and mitigation of recognized risks and avoidance of preventable losses.

Members of natural person credit unions frequently join more than one credit union because they find value in the products or services offered by those multiple entities. Under what circumstances will NCUA propose a restriction upon individuals that they can join no more than one credit union?

From a practical perspective due to the additional capital requirements, most natural person credit unions will not join more than one corporate in any case. Please eliminate this provision in drafting the final regulation.

#### “Voluntary” Assessment on Non-FICUs

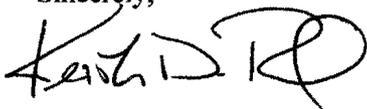
In an ideal world, Cooperative Business Services, LLC would like to see equity in assessments levied on all parties involved in recouping losses caused by the failure of a few corporates. However, the idea of an insurance company penalizing customers of a business because the business failed is ludicrous. There is no precedent for such an over-reaching federal regulation.

The proposal calls for a “voluntary” payment of a pro-rata share of the loss as determined by NCUA and requires a corporate credit union to hold a membership vote on expulsion of those non-federally insured credit unions (FICUs) if no such payment is received. Without getting into the moral hazards of extortion-like tactics, this proposal will weaken the corporate system and the collaborative nature of the credit union industry.

Cooperative Business Services, LLC is business lending credit union service organization who actively collaborates with privately insured credit unions as well as federally insured credit unions. We strongly support the dual charter system and believe that dual chartering and deposit insurance choice fosters innovation and growth throughout the industry. If enacted, this regulation will drive a wedge between credit unions based on insurance choice, who otherwise would continue to collaborate and cooperate toward our mutual objectives. More to the point, to the extent that a corporate credit union’s success is scalable (providing greater efficiencies through growth), it makes no sense to effectively force some corporate members toward withdraw from the system- thereby shrinking and weakening the corporate. It’s one thing for a mutually owned organization to vote to expel a member who caused the organization a loss – it’s something else entirely when an insurance company forces such a vote upon an organization to expel a profitable member simply because that member chose independently to not be insured by NCUA.

In closing, we believe there are severe problems with both of the above mentioned provisions in the proposed regulations and encourage their removal. Thank you for the opportunity to comment on these proposed regulations.

Sincerely,



Keith D. Reed  
President/CEO