MID-ATLANTIC CORPORATE
FEDERAL CREDIT UNION
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Sent Via Email: regcomments@ncua.gov

January 11, 2011

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

Dear Ms. Rupp,

Earlier this fall, the National Credit Union Administration (NCUA) released proposed amendments to its new rule governing corporate credit unions. According to the NCUA, these changes address internal controls and reporting requirements for corporates and provide parity with those required for banks under the Federal Deposit Insurance Act and the Sarbanes-Oxley Act.

While Mid-Atlantic Corporate appreciates and supports many of the efforts by NCUA to help strengthen and stabilize the corporate system, we have concerns regarding a few of the proposed amendments.

Membership Limited to One Corporate Credit Union
To alleviate the pressures of competition and rate shopping, NCUA proposes to limit natural person credit unions to membership with one corporate credit union. Mid-Atlantic Corporate opposes this proposal. Each corporate has a unique, customized set of products and services available for member credit unions. Credit unions are best served by having the freedom to determine the best provider for their services based on the needs of the credit union and its members, which may include joining multiple corporates or vendors.

With the proposed limit, as credit unions seek to utilize the innovative and cost-effective solutions of a corporate, they may choose to end a relationship with one corporate and join another. How does the NCUA plan on handling these situations? Based on the proposed regulation, a credit union would be unable to convert to the new corporate until the current corporate capital account was closed. Perpetual Contributed Capital is not liquid and could conceivably never sell, thus eliminating the opportunity for the credit union to utilize a potentially better product offering with the new corporate and ultimately forcing credit unions to look for services outside of the industry.

Corporate Credit Union Service Organizations (CUSOs)
The proposed regulation also wishes to grant access to the auditor, Board of Directors and NCUA to personnel, facilities, books and records for all corporate credit union CUSOs. Mid-Atlantic Corporate has allowed the NCUA to access MY CU® Services, LLC's personnel, facilities, books and records in the past and we have no concerns about continuing this practice in the future.

Board Responsibilities
Mid-Atlantic Corporate supports the enhanced transparency proposed by the NCUA to expand the board minutes to include all details regarding directors' votes, including the director's name, voting decision, who abstained and those who were absent to the meeting.

Audit and Reporting Requirements
The proposed regulation states that corporate credit unions with average daily assets greater than $400 million must employ or contract a full-time or part-time internal auditor. Mid-Atlantic Corporate has always supported the need for an internal audit program and the benefits such a program brings to the organization. The Corporate has maintained an internal audit program, supervised by the Supervisory Committee, for over 15 years. In addition, Mid-Atlantic Corporate supports the proposed rule that the Supervisory Committee should have access to independent legal council at its discretion.

The proposed amendments to 704.15 would require a corporate to provide audited financial statements. An independent public accountant must audit and report as to whether the year-end financial statements are in accordance with generally accepted accounting principles, GAAP. In practice, Mid-Atlantic Corporate already complies with this proposed rule.

The proposed 704.15 also would require a corporate over $1 billion in assets to engage an independent public accountant to audit and assess the organization's internal financial controls. Mid-Atlantic Corporate opposes this requirement. This requirement will be very costly to accomplish and Mid-Atlantic Corporate strongly believes ample review of its accounting controls currently takes place, thus eliminating the need for additional costly audits. We estimate that the initial audit would exceed $250,000 and subsequent years would exceed $125,000 per year. Depending on the complexity of these financial control audits, the expense may be even higher.

Currently, Mid-Atlantic Corporate has its year-end financial statements audited to ensure they adhere to GAAP. NCUA also concentrates heavily on our financial controls during the exam process. Additionally, Mid-Atlantic Corporate supplies our monthly board packet and monthly 5300 reports to the NCUA for review. If inconsistencies were to occur, there would be ample opportunity for NCUA to notice and investigate. Lastly, our extensive internal auditing program allows for the opportunity to audit various areas of financial controls periodically without the cost of a separate audit.

Equitable Distribution of Corporate Credit Union Stabilization Expenses
Mid-Atlantic Corporate disagrees with the NCUA seeking to spread the cost of stabilization to all non-natural person members of a corporate credit union that are not federally insured credit unions. Mid-Atlantic Corporate believes it is the NCUA's responsibility, as the administrator of the National Credit Union Share Insurance Fund, to assess the risk and determine if non-federally insured credit unions should pay the assessment. The Corporate should not be responsible to monitor when a credit union elects to pay the assessment and disagrees with holding a meeting to expel a member if that member chooses not to pay the assessment because they are not federally insured.

Enterprise Risk Management

Mid-Atlantic Corporate agrees that a sound risk management system is an integral part of running a corporate credit union. Because corporate credit union structures vary, no single risk-management system works for all corporates. Each corporate should have the latitude to develop its own risk management program tailored to its needs, while adhering to the four common fundamentals of enterprise risk management: identifying risk, measuring risk, controlling risk and monitoring risk. Mid-Atlantic Corporate maintains a sound risk management program that reports monthly to the Board of Directors.

Mid-Atlantic Corporate disagrees with the proposed regulation that requires corporate credit unions' Boards of Directors to create an enterprise risk management committee that includes at least one independent risk management expert who meets the necessary education and experience requirements. Mid-Atlantic Corporate maintains a sound risk management program that reports monthly to the Board of Directors and has proven effective in identifying, measuring, controlling, and monitoring risk.

The recent changes to the regulation in September 2010 have significantly tightened the levels of risk allowed by a corporate and have clearly defined how that risk is to be measured. Managing the risk is the fundamental responsibility of the Board of Directors and management of the corporate. In addition to the substantial additional expense, the risk management expert would be unfamiliar with the operations of the corporate credit union.

Further, the qualifications detailed in the proposed regulation for the risk management expert exceed those of established requirements for banks.

Membership Fees

Mid-Atlantic Corporate supports the proposed regulation that would allow corporates to assess membership fees to non-credit union members of the corporate, making membership more equitable and helping to increase retained earnings.

As stated many times, Mid-Atlantic Corporate recognizes that the issues of the past few years have shed light on areas of the corporate system that need retooling and rethinking. However, we believe that some of these efforts to retool the system are not in the best interest of credit unions or corporates. Our position continues to be that changes addressing the operations and structure of corporate credit unions should respect the individuality of each corporate while focusing on the appropriate regulatory requirements for all.

Sincerely,

Jay R. Murray

Jay R. Murray
President/CEO