

RUPP, MARY F

From: Rick Parker [rick@muccu.org]
Sent: Wednesday, January 12, 2011 8:21 AM
To: _Regulatory Comments
Subject: Comments on Notice of Proposed Rulemaking for part 704 Corp. Credit Unions
Attachments: Coalition of members draft response 0105 2011.docx

We, our Credit Union supports the attached position taken by Jim Riederer.

[REDACTED]
President/CEO

[REDACTED] Community FCU

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January 12, 2011

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

Re: Corporate Credit Unions Proposed Rule published November 29, 2010
12 CFR Parts 701, 704, 741.

Dear Ms. Rupp:

On behalf of an independent group of the membership of Corporate One FCU, we present this response to the proposed rules -- specifically Section 704.21 entitled, "The Equitable Distribution of Corporate Credit Union Stabilization Expenses."

As background, we formed a coalition of shareholders that are like-minded and who wish to go on record to express our concerns with the proposed Rule 704.21. The coalition includes **XXX** members of Corporate One FCU, as indicated on the attached list. The coalition is made up of credit unions that are federally chartered; state chartered, federally insured; as well as state chartered, privately insured credit unions, and represents a good cross-section of the membership of our corporate. The shareholders identified in the attachment have provided their express approval to be so identified and are therefore considered co-signors of this letter.

Following are our comments in response to the proposed Rule 704.21:

1. FICUs and non-FICUS have partnered successfully through the years using our corporate and through CUSOs and other business relationships. We have each mutually benefitted from this collaboration. We have collaborated without prejudice to others' choice regarding their insurance or chartering option and have done so for our mutual benefit. This new rule requires that we rethink our potential for collaboration and could actually pit one credit union against the other -- a state of affairs that we do not agree with and resulting in an unintended consequence of this new rule.
2. Special meetings have always been the prerogative of the Board and/or the membership to call, and have not been required by regulation except for critical global issues, such as mergers. The bylaws that each credit union and non-FICU understood when they joined our corporate over the years did not contain nor even remotely contemplate a change in the bylaws whereby an expulsion vote could be taken. A question of fairness can also be raised if the current non-FICU is required through expulsion to lose rights to the capital they helped create or provided and or to lose rights granted under service contracts that were agreed upon prior to this contemplated rule.

3. Expulsion votes have been recognized as proper in specific cases where a member has caused the credit union a loss, and then only with certain restrictions. These special expulsion meetings are voluntarily called by the Board. We believe this is good public policy which gives the Board of the cooperative control over the expulsion issue. In this new rule, it is required that a Special Meeting be called for the stated purpose of an expulsion vote under the proposed Rule. The vote is a required regulatory mandate. We feel strongly that the membership rights and the affairs of the cooperative should be under the control of the membership and not directed by regulation, especially in such cases where there has been no financial impact on the cooperative/corporate by the member's action.
4. We also see an unintended consequence in the form of a negative business impact that can affect the entire membership. All shareholder-owners of Corporate One FCU will be negatively impacted by expulsion of non-FICUs with the associated loss of capital and the reduction in payment system volumes that these non-FICUs bring to the cooperative. Those left in the membership will pay the costs for a less effective corporate as a result of declining capital and declining volumes. We understand that we only can hurt ourselves by voting to expel members, so we wonder why a rule would be enacted to weaken the corporate system. The proposal has the unintended consequence of negatively affecting our corporate and creates a very real cost to the remaining members.

We believe strongly in the importance of a strong and functioning Corporate One FCU that allows us to collaborate as both FICUs and non-FICUSs to develop volume and scale in critical areas necessary for our ongoing efficiency. This proposal only weakens that collaboration, is counterproductive, and should not be approved. The Corporate One FCU members indicated as participants in this coalition believe this proposed Rule 704.21 is decidedly contrary to our best interests as owners of a successful corporate with a bright future. We believe it will weaken the credit union movement as a whole and negatively affect our credit unions and our members. It also raises the question: What is the meaning of "membership."

We respectfully request that this proposed rule not be approved.

Sincerely,

James M. Riederer
President/CEO
CME Federal Credit Union

Attached: Listing of COFCU Shareholder Coalition Members

c: Chairman Matz
Vice Chairman Hyland
Board Member Fryzel