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Via email: regcomments@ncua.gov

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

Re: Corporate Credit Unions Proposed Rules concerning CFR Parts 701, 704, 741.

Dear Ms. Rupp:

I urge the NCUA to more carefully consider the impact the proposed regulations. As proposed, these will have a highly detrimental effect on "Real Person Credit Unions" and therefore tens of millions of Americans. There are several obvious costs and many more unintended costs from the proposed regulations.

While well intended; the combination of the proposed regulations (and in many cases overly restrictive limitations) and obvious inherent costs will do nothing to erase the "Real Estate and Mortgage Bubble" that is responsible for the current strains on the Credit Union system. Excluding the relatively few instances of fraud, the current condition of the Credit Union system was caused by

1. The excess exuberance of FNMA, FHLMC that was taken to even further heights by the CountryWides and IndyMacs that led to the creation and bursting of the real estate bubble.

2. Regardless of who is to blame; several large corporates were given permission to invest in subprime mortgage securities and other risky investments.

3. "Real Person Credit Unions" are now being hurt by the costs of NCUA assessments and the Federal Reserve policies of extremely low interest rates intended to minimize the damage of #1 and #2 above.

4. Additionally, other regulations such as Enterprise Risk Management, the scope and costs of additional NCUA Examiners add to the burdensome costs of the proposed regulations related to Corporate Credit Unions and ***more specifically*** the medium and small "Real Person Credit Unions".

Large credit unions have economies of scale that enable them to bypass the corporate credit union network. However, the proposed regulations will encourage other sizeable "Real Person Credit Unions" to avoid the Corporate Credit Union network. This will lead to medium and smaller credit unions to choose between either (1) becoming subservient to the limited one Corporate Credit Union or (2) to bear the costs of finding alternatives.

Some specific concerns are

704.22 Enterprise risk management--
This amendment adds the new Enterprise risk management committee of which at least one member is required to be an independent risk management expert. Is the $1 Billion Asset size too low versus the costs of hiring this independent "expert"? As there will fewer Corporate Credit Unions and much more restrictive investments this should be given further thought particularly as there are going to be more NCUA examiners performing more frequent exams.

701.5 Limitation to one Corp CU Membership-- Will prospectively limit all natural person credit unions to membership. However, the regulation does not establish any mechanism for the Real Person Credit Unions to withdraw. This is a chilling prospect that has the potential to encourage Real Person Credit Unions to bypass the Corporate Credit Union network. Couldn't the NCUA at least provide some protections such as

- Allow "Real Person Credit Unions" to put their investment on notice AND the Corporate CU would fund the return of the investment from incoming Capital investment of New Members?
- Why not incorporate a provision such as the compensation of the top five Corporate CUs shall not exceed some percentage of Member Capital?
- Limiting "deferred compensation packages" and "excessively lucrative" pensions and post retirement benefits.
- Consider allowing reasonable Director compensation

704.23 Mandatory Assessments--

Under the proposal, as a way to build retained earnings, a corporate credit union would be permitted to charge its members a mandatory one-time or periodic membership fee; the fee would need to be proportional to the member's asset size. The corporate would have the ability to reduce the fee for members that have contributed capital to the corporate, and any reduction would need to be proportional to the amount of the member's non-depleted contributed capital. ***Shouldn't there be some limitation on the amount of fees?***

NCUA Assessment Calculations-- The current formula of *"Insured Deposits by X%"* on Real Person Credit Unions could use improvements in ways that does less harm to medium and small "Real Person Credit Unions"; particularly those medium and small credit unions that have not accumulated large retained earnings. Larger Credit Unions that obtain funding via debt and very large deposits have an added advantage.

An alternative method would be similar to the following concept. The objective is to enable an NCUSIF income stream while doing the least damage to medium and smaller credit unions.

Insured Deposits	Same basis as now
Plus: Total Assets	Will incorporate other funding sources and discourage excessive leverage
Plus: Retained Earnings and Equity Reserves	High Equity CUs would pay more/while smaller Equity Ratio CUs would pay proportionately less
Minus: 50% of Loans to Members	Encourages lending to consumers vs other investments
Multiply by an Assessment %	

SUMMARY

My point is that the proposed regulations warrant further consideration due to the costs and harm they could do to "Real Person Credit Unions" and the tens of million Americans who have supported, trusted, and relied on Credit Unions. Especially when better solutions can be developed that have the potential for much less harm.

Respectfully submitted,

Milton E. Smith