From:	Beverley Rutherford
To:	_Regulatory Comments
Subject:	Virginia Credit Union Comments on Noticed of Proposed Rulemaking for Part 704-Corporate Credit Unions
Date:	Friday, January 28, 2011 10:24:57 AM

Thank you for the opportunity to comment on your proposed rule regarding corporate credit unions. I am responding on behalf of a state chartered credit union located in Virginia with over 2 billion in assets and over 200,000 members.

After careful review of the proposed changes, we have several comments concerning those changes:

- The proposal would generally limit a natural person credit union to membership in only one corporate credit union at a time. We do not believe this limitation is necessary as it is hard to imagine most credit unions would be willing to capitalize more than one corporate as well as it may limit services credit unions may obtain through multiple corporates.
- The proposal would establish a system to encourage existing non-federally insured credit unions to pay their share of expenses related to stabilization of the corporate system. We do not support this approach as we believe this may in effect bar privately insured credit unions from participating in the corporate system. It is difficult to see these credit unions making “voluntary” payments since so many seem to consider being exempt from paying for the corporate stabilization a “benefit” of being privately insured, plus we question whether NCUA has the authority to assess the payment of expenses to a non-federally insured credit union.
- The proposal would require each corporate to establish and maintain an enterprise risk management committee to oversee the risk management practices of the corporate. The committee would consist of an independent risk management expert with certain qualifying characteristics. While we acknowledge there may be some benefits from this requirement, we are concerned that the additional resources required by this may be significant, it may be difficult to find a volunteer of that caliber, and whether this committee’s role would be much different than what could be accomplished with the corporate Supervisory Committee.
- The proposal would permit corporates to charge one-time or recurring membership fees. Permitting this may provide some additional flexibility; however, for this fee to have a meaningful impact on capital it would have to be fairly substantial. This would certainly be added to the total costs of using the corporate when credit unions are evaluating service providers, especially large credit unions since it was recommended it be based on asset size. This would make the effective costs of using the corporate higher than other alternatives, which could curtail membership and total revenue generated as a result, perhaps offsetting the capital building benefits of the fee.
- The proposal would also require each corporate credit union board of directors’ vote to be recorded and included in the meeting minutes to increase transparency and accountability. We do not believe it is necessary that each director’s vote be recorded and included in the minutes as it may have the effect of causing most boards to become overly conservative in their risk taking and some risk is necessary. Usually good boards take action as a board, not individuals, and the result of this proposed rule would emphasize the vote of the

individual not the action of the board. In addition, there also appears to be current provisions in NCUA rules that adequately address this.

Should you have any questions about our comments, please feel free to contact me.

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