



December 31, 2014

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

RE: Comments on Proposed Rule – Corporate Credit Unions

Dear Mr. Poliquin:

Thank you for the opportunity to provide comments in response to the proposed amendments to NCUA Rule 12 CFR Part 704. In general, Corporate Central Credit Union views these changes as positive clarifications and modifications to the rule.

Please consider the following comments. We believe that these recommendations will provide further clarification and additional positive modifications to the rule.

Revisions to the Definitions of Tier 1 Capital and Tier 2 Capital.

Comment:

We view the changes that will allow for the Perpetual Contributed Capital (PCC) that is excluded from Tier 1 capital beginning in 2016 to be included in Tier 2 capital, and therefore total capital, as important and positive amendments to the current rule.

However, although the proposed changes are a welcome improvement to the current rule, Corporate Central Credit Union would recommend the removal of the calculations in the Tier 1 capital definition items (8) and (9) beginning in 2016 and 2020 respectively. These calculations create implicit retained earnings requirements and result in the exclusion of PCC from Tier 1 capital, and therefore the leverage ratio and Tier 1 risk-based capital ratio, based upon the level of retained earnings.

In place of the calculations, our recommendation would be to create explicit retained earnings ratios that reflect the minimum requirements beginning in 2016 and 2020 and to continue to include PCC in Tier 1 capital and the associated ratios.

We agree that it is appropriate to grow and maintain strong levels of retained earnings. However, we do not agree with the removal of member contributed PCC from Tier 1 capital, which is where we believe it should remain by regulatory definition and GAAP.

§704.9 Liquidity.

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(b) *Borrowing limits.* A corporate credit union may borrow up to 10 times its total capital.

(1) *Secured borrowings.* A corporate credit union may borrow on a secured basis for liquidity purposes, but the maturity of the borrowing may not exceed 120 days. Only a corporate credit union with Tier 1 capital in excess of five percent of its moving daily average net assets (DANA) may borrow on a secured basis for nonliquidity purposes, and the outstanding amount of secured borrowing for nonliquidity purposes may not exceed an amount equal to the difference between the corporate credit union's Tier 1 capital and five percent of its moving DANA.

Comment:

Corporate Central Credit Union agrees with NCUA's rationale and proposal to remove the connection between the borrowing limit and the level of shares.

The extension of the limit from 30 days to 120 days for secured borrowings for liquidity purposes is also a welcome amendment over the current rule. However, we would recommend extending this limit to two years, which would improve our ability to manage our balance sheet and would be closer in alignment with the weighted average life limitations on the asset side of the balance sheet.

One method to mitigate the concerns previously expressed by NCUA related to secured borrowings and collateral valuations would be to allow for secured borrowings beyond 120 days using defined types of collateral for these purposes such as government, agency, or GSE issued or guaranteed investments and other highly liquid collateral.

Corporate Central would also recommend that NCUA remove its current limitation that "the outstanding amount of secured borrowing for nonliquidity purposes may not exceed an amount equal to the difference between the corporate credit union's Tier 1 capital and five percent of its moving DANA." Instead, allow corporates to use secured borrowings as appropriate as long as all capital ratios continue to exceed the levels required to remain well capitalized.

Technical Clarifications / Consistencies.

In reviewing the proposed regulation there were also a few areas identified as appearing to be inconsistent or unclear that we would like to bring to your attention for further clarification.

II. Proposed Amendments

7. Section 704.9 – Liquidity management

Section 704.9(b) currently restricts a Corporate's borrowing to the lower of 10 times capital or 50 percent of capital and shares. First, the proposal amends the provision by changing the limit to 10 percent of *total* capital, consistent with the definitional changes discussed above. Second, recognizing that tying the borrowing limit to a percentage of shares may, in the event of a share outflow, limit a Corporate's ability to borrow at a critical time, the proposal removes the restriction of 50 percent of capital and shares. Finally, the proposal increases the secured borrowing maturity limit from 30 to 120 days to accommodate seasonality in the borrowing patterns of member credit unions. NCUA believes that this extension will not materially increase risk and will allow Corporates to better serve their members.

Comment:

The language above states, "The proposal amends the provision by changing the limit to 10-percent of total capital..." We believe the intent was for this language to reflect a limit change to 10-times total capital.

11. Section 704.18 – Fidelity bond coverage.

Section 704.18 establishes fidelity bond requirements for corporate employees and officials, with maximum deductibles based on a Corporate's capital. The proposal changes the measure from *core capital* to *total capital*, consistent with the definitional changes discussed above. NCUA believes this change will have an immaterial effect on maximum deductible levels.

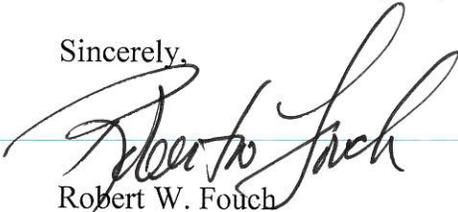
Comment:

The language above states, "the proposal changes the measure from core capital to total capital..." We believe the intent was for this language to reflect the change from core capital to Tier 1 capital.

Please contact me if you have any questions regarding our comments or recommendations. We look forward to working together to strengthen not only Corporate Central Credit Union, but also certainly the member / owners that we so humbly serve.

I can be contacted directly at (414) 427-3615 or by e-mail at rwfouch@corpcu.com.

Sincerely,



Robert W. Fouch
President & CEO