

**From:** [Mann, Steven](#)  
**To:** [Regulatory Comments](#)  
**Subject:** Comment on proposed legislation  
**Date:** Thursday, March 04, 2010 1:00:00 PM

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Dear Ms. Rupp;

Thank you for the opportunity to comment on the NCUA's Proposed Corporate Credit Union Regulation. I am Professor of Finance and Chair of the finance department at the Moore School of Business, University of South Carolina. I have published over seventy articles in finance journals and books. My first book, *Floating-Rate Securities*, co-authored with Frank Fabozzi was published in May 2000. My second book, *Introduction to Fixed-Income Analytics*, also co-authored with Frank Fabozzi, was published in April 2001. The second edition of this book is scheduled for publication in August 2010. My third book, *The Global Money Markets*, co-authored with Frank Fabozzi and Moorad Choudhry was published in July 2002. In the summer of 2003, *Measuring and Controlling Interest Rate and Credit Risk* was published (co-authored with Frank Fabozzi and Moorad Choudhry). In 2005, I co-edited *Securities Finance* and served as assistant editor of *The Handbook of Fixed-Income Securities*. My research interests are in the area of investments particularly fixed-income securities and derivatives.

My involvement with credit unions includes a ten year stint on board of directors of natural person credit union where I served as both treasurer and chair. In addition, I have served as a consultant to two corporate credit unions. Given this background, I would like to comment on the inherent incompatibility of the operating targets for the accumulation of retained earnings (Part 704.3) and the new asset liability stress tests using NEV (Part 704.8). The combination of these proposed changes to require ambitious retained earnings targets while simultaneously limiting the corporate credit union's ability to take on measured risk is doomed to fail. One of most well-established principles of finance is the positive relationship between expected return and risk. Simply put, one cannot increase expected return without increasing risk exposure. One can regulate one or the other but not both. By forcing the corporate credit unions to adhere to overly ambitious retained earnings targets while reducing their risk

forces them to seek fee-based income. In other words, these proposed regulations push the corporate credit unions to behave more like banks or they will not survive. These proposals are inconsistent with the ideals of the credit union movement.

Sincerely,

Steven Mann

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"Never, never, never give up."  
Sir Winston Churchill