



106

February 10, 2009

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

RE: Comment letter pertaining to ANPR Part 704 Corporate Credit Unions

Dear Chairman Fryzel:

I am writing to comment about the Corporate Credit Union rescue plan ANPR Part 704 Corporate Credit Unions.

WestStar Credit Union believes the Corporate Credit Union system is vital to the smooth operation and ultimate success of the credit union model. Rescuing the Corporate system is something that we support. We applaud you for your quick action. WestStar Credit Union holds both Membership and Permanent Capital (and most investments) in Western Corporate Federal Credit Union (WesCorp) and considers WesCorp one of our major vendor-partners.

Unfortunately, when hasty decisions are made the method of accomplishing a rescue plan of this kind can have consequences that could harm the industry as a whole. WestStar Credit Union is opposed to any plan that forces a monetary loss to the credit union through the income statement. For example, under the current plan, a monetary levy will be assessed to all federally-insured credit unions that will fund the National Credit Union Share Insurance Fund (NCUSIF). The resultant effect on individual credit union return on assets (ROA) from an assessment is prohibitive, especially during these times of economic hardship. Credit unions with marginal capital ratios that have been unexpectedly affected by the sudden negative economic conditions could be further weakened by this assessment; due to Prompt Corrective Action mandatory measures many credit unions could end up being closed or merged as a result of this assessment.

Further, it is not known whether this proposed assessment is the last assessment that will be needed for this economic crisis. There could be additional money needed in the future; attaining money through individual credit union income statements only passes along the problem to the individual credit unions. WestStar Credit Union booked a large loss for 2008 and even though we remain well capitalized, a reduction in ROA of 60+ basis points is unacceptable.

Our opinion is that TARP funds from the government should be sought. Even as a non-profit, tax exempt entity, we expect government assistance since we provide a vital role

in the economy. We expect any TARP funds received will not be a grant from the government, but paid back to the government eventually and only to be used to temporarily increase capital levels of corporate credit unions until such time as the corporate credit unions are able to recover and provide additional capital to their respective balance sheets through net income as the economy improves.

TARP money could also be used to save some individual (non-Corporate) credit unions. Historically, many credit unions have intentionally kept their capital ratios just over the well capitalized ratio of 7%. With our individual situation here at WestStar Credit Union in Nevada, we have seen a reduction in capital of approximately 3% during the past year that has reduced our capital to the 12% range. For other credit unions that began this economic crisis with 7% capital, with a 3% reduction in capital it would mean a capital ratio of approximately 4%, placing them in a less-than adequate capital position and subject to Prompt Corrective Action measures.

If absolutely necessary, WestStar Credit Union would support some type of re-capitalization of the Corporate Credit Unions not directly effecting the income statement. Possibly re-capitalization could be accomplished by using programs such as WesCorp Permanent Capital program (on a less than permanent basis), or possibly a more long term SIP program.

In summary, we comment:

- Any measures to recapitalize the corporate system should not be done via individual credit union income statements but should use other measures, possibly by use of Capital programs (ie: WesCorp).
- An appeal for TARP money from the United States government should be initiated.
- TARP money may also be needed to save individual credit unions that intentionally kept a lower level of capital that have been unexpectedly harmed by the economy.

Thank you for the opportunity to comment.

Sincerely,



Dan Paulson
President/CEO

Cc: WestStar Credit Union Board of Directors
Nevada Credit Union League
Credit Union National Association