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WILLIAM A. RAKER, CCE
President/CEO

CREDIT UNION • *Service, Value and Experience You Can Trust*

February 17, 2009

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

Re: Comments on Advanced Notice of proposed Rulemaking for Part 704

Dear Ms. Rupp:

US Federal Credit Union congratulates NCUA for the initiative and effort given to the Webinar on February 12 on the Corporate Stabilization Update. The information shared in the presentation and Q & A session was very helpful and provided a better understanding of the situation and the actions NCUA is proposing to take. Thank you.

The management of US Federal would like to express some of our concerns regarding NCUA's plan to stabilize the Corporate Credit Union Network.

We agree significant measures must be taken to shore up the Corporates' financial position; otherwise, the entire credit union system could be in potentially serious peril. However, we feel the current proposal from NCUA may have detrimental factors embedded in it. We believe the negative impact, both immediate and long-term, to the entire credit union system of the proposed actions have not been adequately assessed. We believe additional efforts and research by NCUA, together with input from throughout the credit union system, are needed before a final decision is made.

It took several years to build and great effort to maintain our capital for the benefit of our member-owners. To reduce it to aid the losses at a few Corporate credit unions is, we believe, an inappropriate and costly burden to place directly on natural person credit unions and their membership.

It is reasonable and necessary for NCUA to consider that no one ever anticipated neither the type nor the extent of erosion now occurring in the asset quality and capital of the Corporate system. Correspondingly, the NCUSIF and the capital earned and retained by natural person credit unions were never intended to cover the types of losses now being sustained. This is an extraordinary situation that requires an extraordinary solution. That is, therefore, reason for NCUA to seek a different solution or a modification to what has been proposed.

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Our credit union and its members did not cause this financial crisis, yet the proposal is for natural person credit unions to bail out the Corporates while banks (who had far more to do with causing the problem than did credit unions) and their stockholders are getting bailed out by the federal government.

The effects of appropriating our member-owned capital would severely impair our earnings, dramatically reduce our capital and thereby restrict our growth and member service levels. The impact would be long-lasting and significant. We cannot absorb such losses and go on with business as usual. To cover those costs, our credit union would need to consider implementing several, if not all, of the following changes which would harm our membership and the entire credit union movement:

- Increase fees and implement additional new fees
- Increase loan rates and restrict lending
- Decrease dividends
- **Reduce staffing** and contribute to the growing unemployment
- Probable closing of branches reducing service to members
- Probable exiting of ATM and Shared Branch Networks

We feel strongly there are other approaches that need to be considered, including requesting assistance from the Treasury's Troubled Asset Relief Program and Central Liquidity Facility.

NCUA and the credit union trade associations should work together to gain the legislative changes necessary to give Corporates access to federal funds and to give NCUA greater latitude in the methodology and timing of replenishing any reduction in the NCUSIF.

While some relish holding onto the maxim that "credit unions have never cost the tax payers or the federal government a dime," letting that stand in the way of the credit union system getting the help it needs and deserves to stay relevant and viable makes little sense in the extraordinary circumstances we are in. Seeking and accepting assistance from outside the credit union system is worth the risk that our collective position or posture may encounter with respect to other matters.

Thank you for the opportunity to comment.

Sincerely,



William Raker
President/CEO
US Federal Credit Union

cc: Credit Union National Association
Minnesota Credit Union Network