



TCC CREDIT UNION

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FEB23'09 PM 2:05 BOARD

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February 19, 2009

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

RE: Advanced Notice of Proposed Rulemaking for Part 704

I came into the credit union movement in the 1980's at a time when the S&L's were imploding and costing the US Taxpayer billions of dollars. I once worked at an S&L during the deregulation period.

Looking back, it is disappointing that the S&L industry used their new deregulated powers to self-destruct. That is, just because you have the power to do something doesn't mean that you should do it. This is especially true if you don't understand it. The S&L that I worked for did nothing illegal, just "stupid." They and so many others no longer exist.

Let's shift gears to the credit union industry. I believe that the same principle is true: just because some governing body allows certain activity doesn't mean that you should use it, especially if you don't understand it. My credit union, at which I just finished twenty years as president, has always been conservative. We book the basic loans, we invest in certificates of deposit at our corporate credit union or through their SimpliCD program. We made a profit in 2008!

The TCC CU Board and management are very disappointed at where we are due to what we believe are legal but inappropriate investments by the corporate credit unions. Will we pay our share of the "internal bailout"? Yes. We remember that in past years we were very appreciative of the dividend checks sent to us from the insurance fund and we know that now it is time to shore up the fund. This is all part of the process. We strongly believe that credit unions should be given more than one year to meet this obligation. Case in point, how many years has the Government given employers to bring their retirement funds back into balance? Credit unions should be afforded the same type of relief, especially since the natural person credit unions did nothing wrong.

We also believe that the structure of the corporate credit unions needs to be reviewed. First, perhaps the investment activities should be separated from the transactional activities. Both need proper funding, but fewer and larger regional transactional centers may be able serve that function very well.

Second, corporate credit union management needs to be reviewed. As a side note, please remember that the banking industry made many more “stupid” investments that were supposed to have been analyzed by people who claimed to be very bright. Are the proper people in the proper positions? Should corporate investments revert back to the more conservative mode? Should corporate credit unions be reminded of their primary function? In the 1980’s, when I first became president of this credit union, I would tell members that our regulatory agencies did not want us to become the next S&L and that our conservative business plan would insure that. Where did the industry get on the wrong track?

Finally, corporate credit unions boards of directors: Would outside directors help? Possibly, but remember the banking illustration above. “Smart people” can make misguided decisions. We believe that the better answer is to get back on the credit union track – be conservative and serve the entire industry.

TARP. We believe that this source of funds needs to be seriously considered. The financial world we live in today is unlike anything in the past. The public is probably accustomed to “everybody” reaching out to the government and would not be surprised or dismayed if credit unions did the same thing. To completely self-fund the problem, which may continue into next year at least, will hurt individual credit unions and place us at a disadvantage versus our competitors. This is unfair.

In all likelihood, the TCC CU’s modest budgeted profit for 2009 will become red ink with the plan as it stands. Fortunately, our well capitalized position will remain and we will continue to serve our membership in the manner they are accustomed to.

We hope the credit union family does the same.

Sincerely,



Ronald M. Powers
President

cc: Texas Credit Union League
CUNA Mutual
TCC CU Board of Directors and senior staff