From: Raymond Dowling [Raymond@stamfordcu.org]
Sent: Tuesday, February 03, 2009 2:48 PM
To: _Regulatory Comments
Cc: fbecker@nafcu.org
Subject: Comments on Advanced Notice of Proposed Rulemaking for Part 704

Thank you for the opportunity to comment on the Advanced Notice of Rulemaking for Part 704:

As one of the original corporate credit union CEO's, with over 14 years experience running three corporate's I believe that I have a somewhat unique perspective on their evolution to date. In short, the same greed that gripped Wall Street and toppled so many firms has permeated through many corporate credit unions over the past ten years or so.

Originally, corporates or corporate centrals as they were called, were formed as risk averse liquidity facilities. Since that time the corporate's have evolved into sophisticated "bankers banks" offering an array of correspondent and liquidity services. Unfortunately, along the way the larger corporates forgot who they were serving and became self aggrandizing, top down entities with management philosophies based on the premise that credit unions needing corporates more than corporates needing credit unions to survive. The competition bought about by national charters, the proclivity to pay high salaries, provide expensive perks and build expensive headquarters resulted in the need to maximize income through unacceptable risk taking.

<u>Should Corporate Credit Unions offer Payments Services?</u>

The following opinions are based on my experience with Empire Corporate (Members United). To begin with the offering of payment services by Corporate Credit Unions was viable, given the larger numbers of credit unions and the need to insulate credit unions from what were often predatory correspondent banks. As payment systems evolved, the corporates failed to keep pace with technology and credit unions (including ours) met their payment system needs internally, The Federal Reserve or from their core processor. Those smaller credit unions that still rely on the corporate will not provide enough volume for a corporate credit union system to be viable. The advent of branch item capture, e-statements, bill pay and home banking which are all available from core processors further obviate the need for a separate corporate credit union payment system. Several years ago, we approached Empire Corporate to provide branch item capture services and were told that they weren't ready, Within weeks we were up and operating through our core processor.

In short, no I don't believe corporate credit unions should offer payment systems.

<u>Liquidity and Liquidity Management</u>

Yes, I strongly believe that liquidity services should be at the core of corporate credit union operations. In so doing, NCUA should remove expanded investment authority and corporate investment policies should be reformulated to be much more conservative. I believe that the best way to do this is to run a matched book. Take money in for 90 days and reinvest it for 90 days; simple but effective to the needs of a liquidity facility and incorporating little or no risk. Such a strategy would eliminate the need for expensive investment experts, simplify the ALM process and considerably reduce expenses.

<u>Field of Membership Issues</u>

Yes, I believe that corporates should be regional along the regions now used by the Federal Home loan Banks. As a former corporate CEO, I remember only too well of the pressure placed on management by corporate boards to "pay higher rates", "charge lower fees" and grow faster than the other corporates. Further, corporate management were provided with high salaries including defined benefit plans, country club memberships, expensive automobiles and other perks. This is precisely why corporates entered into unreasonable risk taking, they were reaching for the stars. I saw this happening years ago and placed withdrawal notices for membership shares. It was clear that corporate management was heading down the wrong path.

<u>Expanded Investment Authority</u>

As I mentioned earlier, Expanded Investment Authority should be rescinded.

<u>Structure: two tier system.</u>

A simplified corporate liquidity facility does not need the wholesale corporate function, regional corporates could easily operate independently.

Corporate Capital

I believe that a core capital ratio of 4% excluding membership capital should be easily attainable, given the reduced asset size that corporates are likely to assume. I believe that the high risk profile that corporates have unfortunately earned, and the subsequent bailout by their member credit unions will have a very negative impact on the future of corporate credit unions. This negative reaction will make it very difficult for corporates to attract membership shares at risk.

I wish that I had more time to comment on the other areas solicited by the ANPR, but I hope that I have provided some meaningful input.

Respectfully Submitted.

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