MAR13'09 PM 2:25 BOARD

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Mary Rupp, Secretary of the Board
National Credit Union Administration
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To Whom It May Concern:

We are adamantly opposed to the NCUA Corporate Stabilization program as it has a severe and significant impact on natural person credit unions. The NCUA has been aware of issues facing the corporate credit unions for a long time and have decided to look the other way rather than dealing with the problems. Now, we are being punished for the administrations failure to act. We have sat in on the webinars and can't believe what we're hearing, that the corporates have used up all of their paid in capital, approximately $8B and will probably use up the additional $4.7B being squeezed out of natural person credit unions. Where will it end? Where will the next monies come from that will be needed to support the corporates since the total exposure could be as high as $80B as stated by representatives from the NCUA?

The NCUA should do everything in their power to gain access to TARP funds to support the corporates, rather than drag the whole industry down by assessing premiums and undo charges on natural person credit unions. This will have a detrimental effect for years to come on the credit union industry. In essence what the NCUA is doing is robbing us of our capital reserves that we have built up to support our credit unions so that we can absorb losses incurred in difficult economic times and provide us the ability to grow and expand our business to effectively serve our membership. It appears that the reasoning behind not gaining access to TARP funds is one of self preservation by the NCUA and the various trade organizations. The thought is that if we use taxpayer funds to bail out the corporates that we will eventually be taxed. The NCUA would then be merged into the FDIC and the credit union trade organizations will cease to exist. That may not be a bad thing! It certainly would be easier to pay taxes than getting our capital stoled by the agency watching over the insurance fund. On that topic, we believe that this is a conflict of interest and should be separated or better yet the regulatory agencies be combined to gain greater efficiencies.

As far as we are concerned, if the corporates were to disappear, we'd be able to move the various functions that they provide to us to other places, FHLB, Federal Reserve or any of the other service providers that are out there, including banks. Would it be an easy transition, probably not but it is still a viable alternative. We'd be better off paying taxes than have the NCUA reaching in our pockets whenever the need should arise.

The NCUA has also totally disregarded the effects of the Corporate Stabilization Program on our membership and have even pushed notification to our members back on us rather than stepping up and taking responsibility for this fiasco. What happens once our members find out the ramifications that this plan has on them and the losses that we have to absorb because of this. We could have a run on our deposits. Who's going to bail us out if that should happen?

With regard to the ANPR, we note the following;

- The corporate system should be restructured to provide fewer corporates divided regionally throughout the country and compete with other banks and vendors offering the same services so that pricing for these services is competitive. As an industry we should promote competition from the outside and stop competing against one another for the same membership so that there remains a cooperative business model. The NCUA has created another mess by granting community charters too frequently and causing fierce competition among credit unions competing for the same membership.
- There should only be one tier of corporates leaving the second wholesale tier out and having the remaining corporates go directly to the Fed. As today's issues show, corporate credit unions were knowingly and purposely transferring risk over to US Central. They were in essence hiding the problems rather than being upfront about them.
- Separating out payment services won't work because there is insufficient earnings potential with that service as a stand alone product offering. Those services should remain part of the overall services provided by the corporates as they help smaller credit unions that can't afford to do this themselves.
- Natural person credit unions should be required to establish alternative secondary sources of liquidity through other credit unions or banks (FHLB) so that risks are mitigated in relying on one provider.
- In an effort to maintain capital in the corporates, NCUA should require natural person credit unions to maintain capital in a corporate such as what is done with the FHLB if they use the services being provided by the corporate. However, it should be reasonable and the three year rule imposed to withdraw capital should be removed and replaced with the corporates ability to maintain stated capital levels.

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- Remaining corporates should not be constrained as to the types of investments they can make so long as they have the expertise to properly evaluate the risk associated with them.
- Independent evaluations by industry professionals should be done regularly, at least annually on all corporates investment portfolios.
- Models use estimates and assumptions, therefore so long as those estimates and assumptions are determined to be reasonable by the NCUA and outside CPA's there should not be any second guessing the accuracy of them. Both credit unions and the NCUA need to be flexible and open to new ideas and reasoning behind the estimates and assumptions being used so the risks are mitigated as best as possible.
- With regard to corporate governance, independence is critical. Term limits should be implemented with no more than two terms of four years as the maximum. Compensation of corporate directors should be allowed and a defined structure be established so that this compensation is limited. There should be greater transparency with regards to the corporates executive compensation.
- The corporate boards of directors should consist of natural person credit union executives and not outside individuals. By using outside individuals you'll risk political appointments such as what occurred at Fannie and Freddie. Individuals without the expertise or knowledge needed to effectively manage in the financial services industry will be appointed and could cause a serious flaw in the system.

Respectfully,

Walter Behrman
Chairman of the Board
TEG Federal Credit Union

Joseph Prokop
President/CEO
TEG Federal Credit Union