



SYLVANIA AREA
FEDERAL CREDIT UNION

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To: NCUA

From: Debbie J. Gerschultz, Treas/Mgr
Sylvania Area Federal Credit Union #17733

Re: Comments on Corporate Restructuring

We are a 17 million dollar credit union that depends on our corporate credit union. I am writing to support Corporate One, Columbus, Ohio, and the services they provide to us. We offer a full line of services to our membership because of their product offerings. Financial services are complex and our small staff of 6 cannot handle the members and all the back office operations for the services we provide. CorpOne provides not only the services but, the expertise to answer complex questions, and provide the operations. They also provide the services cheaper because of economies of scale. They keep us informed about upcoming regulation changes, and the list goes on and on. Currently, we have share draft processing, ACH receiving and origination, ATM/Debit Card processing and issuing, our Alliance One ATM network, draft imaging for our home banking product. They also help with money transport for vault operations, and daily settlement, and a credit line. We pay about \$3000 per month for fees on these services and if they weren't there to help, we would be paying staff much more. The bottom line is, we wouldn't be offering many of these services. I also, from time to time, take out investments with CorpOne. It is a useful tool for liquidity. Small credit unions like us need Corporates for operation of services. I also appreciate working in the credit union system for operations. I would not want to go back to a bank for member service offerings.

I never realized that corporate investment authority was relaxed when compared to a natural person credit union. I feel the money is still member money because it is deposited by my credit union. Investment authority for corporates and US Central Credit Unions should be the same as our credit union. The risk should be as little as possible. Years ago, Corp One had trouble with CMO's. I decided they were risking my member money so, I chose to invest in FDIC/NCUA backed banks and credit unions. My portfolio is laddered for liquidity. I do not take chances with member money. I believe most investments should be gov't backed or insured investments. Let's stay away from the securities that got us into this mess. NCUA, you regulate natural person credit unions and they are sitting on large amounts of capital. You know how to regulate investments and build capital.

The structure of US Central and the corporates seemed to work. I have been in the credit union industry for 26 years. I wonder if the problems in the corporate system are these sour investments, or the real need to change the structure? I think if NCUA is bailing out the corporate system, corps should have capital requirement, risk or not, just as any other federally regulated financial institution. As far as the mix of capital, I believe that NCUA has the expertise to make those decisions along with other credit union personnel that have the understanding of how it should be. Small credit unions can deposit only so much without a return on the deposit. I need my deposits to work and I won't risk member deposits.

also think that Corps should have a field of membership. It is much easier to manage business in a regional district. That could comprise of a few states, like NCUA districts. Asset/liability management would be much easier if the Corporate had a good handle on business conditions in their service region.

NCUA is right about not relying on credit rating companies, as we can see they don't work as they should. The financial industry as a whole relied on the ratings and the investments have collapsed. It was obvious that even the rating services were not focused on the risk involved in mortgage backed securities.

As far as the boards go, I think there should be career professionals as well as professionals who represent natural person credit unions. I feel the professionals should be paid a fair wage and those who represent natural person credit union get at least expenses to get to the meetings and time involved. It is also important that the career professionals know about the credit union difference and are dedicated to credit union ideals.

NCUA should study and take time in reforming the corporate system. Ultimately, Corporates exist for the benefit of natural person credit unions. I think NCUA will always keep that in mind. NCUA has always kept credit unions on the conservative track in business practices. They should organize the corporate system under the same methods. It is the same member money.

In closing I feel that the Corporates who bought securities, relying on ratings etc, were duped in the biggest national scam in ages, like many other firms looking for good solid investments. I could see problems coming, with a new mortgage company setting up shop everyday, originating loans with people who were never going to pay, and tacking on huge fees to the mortgage. We were competing against these business practices. For the most part NCUA kept us away from these problems by examinations and guidance. I don't always agree with everything that NCUA does but I feel confident that they have our best interests in mind.