

March 27, 2009

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

Via Email

RE: ANPR on Corporate Credit Unions

Malheur Federal Credit Union uses Southwest Corporate FCU as our sole corporate relationship. We use Southwest Corporate for Share Draft Processing, Deposit Processing, ACH Origination and Receipt, Coin and Currency, Automated Settlement, Wire Transfer, Demand Deposit Account, Daily Funds, Certificates of Deposit and Line of Credit services. We also invest some certificates in other financial institutions through their SimpliCD program. We depend on the expertise of the Corporate staff to assist us in making sure that all of these services are handled by Credit Union people who understand Credit Unions and our unique needs for financial products and services. If we were to have to research other providers of these services it would result in significant direct and indirect costs. We prefer to have the use of a Corporate Credit Union to provide these kinds of services. If we were forced to do the research to find new providers of the types of services that we currently use at Southwest Corporate FCU it would cost us significant amounts of time and direct expense. We are not certain that we could find comparable services at comparable prices. We anticipate that we will continue to use the Corporate System for the foreseeable future.

I believe that corporates should continue to play a significant role in providing deposit, investment, liquidity, processing, settlement and transfer products and services. I agree that some changes and possible restrictions may be required to insure that the Corporate Network continues to be a viable resource for natural person Credit Unions. I believe that it would be difficult for the Corporates to completely separate the payment services from deposit and investment services in a cost effective manner. Natural Person Credit Unions may have to be willing to accept lower rates of return in order to maintain the safety and soundness of the Corporate System.

I do not believe it is necessary to maintain US Central as a separate entity. However, any change at that level needs to be made over an extended period of time giving them time to develop alternatives to services that ultimately affect Natural Person Credit Unions.

I believe that it remains necessary for all Credit Unions using the services of a Corporate Credit Union to contribute core capital to that Corporate. This should be calculated as a percentage of the Credit Union's asset size. There should be a transition period for processing services to allow existing contracts to expire if Credit Unions choose not to contribute core capital.

I would recommend a minimum core capital ratio of 4% and a total capital ratio of 6% for Corporate Credit Unions that are not engaged in riskier types of activities. I believe either some or all of current Membership Capital Accounts should be converted to Paid In Capital or the MCA notice period should be extended to a 5 year notice.

It is my belief that NCUA should implement a risk based capital requirement for Corporate Credit Unions consistent with other federally regulated institutions. If Corporates are going to invest in riskier investments the total risk based capital should be at least 8%.

Liquidity is a major issue for the Corporate System. They must be able to provide liquidity services to Natural Person Credit Unions when they need it. I believe that cash flow duration limitations should be a part of the exam process and not made a part of Part 704 Regulation.

It is my belief that US Central should not continue in its current form. The wholesale structure of US Central results in too much concentration of risk with too few members to provide capital and spread the risk. US Central could evolve into a new role as Corporate owned CUSO(s) that would provide off balance sheet services such as Broker Dealer, Bill Payment and other such services.

I strongly believe that field of membership issues for Corporates should continue to be decided by a Corporate's members. The national fields of membership allow Credit Unions to choose which and how many corporates they choose to belong to and capitalize. Credit Union markets should determine how many, what size and what services they want from Corporate Credit Unions, not NCUA.

I believe that board members of Corporate Credit Unions should remain being elected from the memberships based on standards they deem appropriate for the level of risk the Corporate is taking. The current problems would probably still have occurred regardless of the expertise of the boards. Minimum qualifications and training requirements should be left up to the Corporate Credit Union's based on their level of risk and sophistication.

In conclusion I urge the Board of NCUA not to react in a manner that would adversely affect the viability of the Corporate System. All the modeling and projections had indicated that the Corporates had enough liquidity and capital to survive. Only a significant anomaly in the economy caused those projections to

be faulty. There is no fool proof way to guarantee that there will not be more in the future. If we operate as if the system is about to crash then it probably will.

Thank you for the opportunity to comment on this very important topic. Please keep the Credit Union Community informed as this process moves forward.

Howard C. Benson, CCUE
President/CEO
Malheur Federal Credit Union