



Pentagon Federal Credit Union

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Office of the President

March 3, 2009

BY FEDERAL EXPRESS

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

SUBJECT: Advanced Notice of Proposed Rulemaking-
Corporate Credit Unions

Dear Ms. Rupp:

On behalf of Pentagon Federal Credit Union ("PFCU"), set forth below are our views concerning the National Credit Union Administration's ("NCUA") request for the public comment concerning the future role that corporate credit unions ("Corporates") should have within the credit union community.

In this regard we will limit our observations to four discrete areas of concern.

First and foremost, the NCUA Board should immediately decide whether credit unions that are not participants in the corporate credit union system should bear any financial responsibility relating to the contemplated prospective recapitalization of Corporates to thereby enable natural person credit unions to understand the future financial implications on their operations and decisions.

The foregoing is a critical factor integral to the analysis of any natural person credit union board of directors as it conducts due diligence evaluations that involve material future institutional decisions.

While we recognize the pendency of the subject advance notice of proposed rulemaking and request for comments

Box 1432
Alexandria, Virginia 22313

("ANPR") takes in matters relating to the future of Corporates and which, in the ordinary course of events, would postpone such an immediate decision, we urge that a special meeting of the NCUA Board be called to address and resolve the recapitalization subject.

Second, in our opinion Corporates should not be authorized to provide liquidity services for the natural person credit union system.

At bottom, the combination of the now current multitude of alternative sources of such financial services for credit unions as well as the demonstrated inability of Corporates to properly extend such services by should serve to eliminate these activities from such institutions.

Corporates have demonstrated a reckless lack of expertise in the extension of liquidity services not only currently, but in the past as well. NCUA has also demonstrated an inability to effectively regulate the safety and soundness of the corporate system as it relates to the extension of liquidity services.

Notable examples of the foregoing include the asset management operations of Capital Corporate Federal Credit Union in 1994 as well as the investment practices of U.S. Central Federal Credit Union in Banco Espanol de Credito (Banesto) in the same timeframe.

Moreover, the current analysis of the need for Corporate services must take into account the historical context which gave rise to the corporate credit union system. Credit union leaders recognized the liquidity needs of natural person credit unions not being met in the aftermath of the World War II, and thus caused the first corporate to be chartered by Kansas in 1951 that was followed by the chartering of other Corporates. This need simply does not exist today.

Third, and in connection with the observation above, all Corporates should be closed in an orderly fashion to enable them to dispose of assets over the next five years.

To the extent that there is a desire to have one or more Corporates that provide payment or other types of wholesale

services to credit unions, such institutions should be chartered as *de novo* institutions.

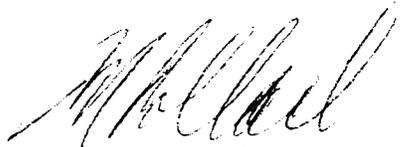
Fourth, we believe that any Corporate recapitalization, should it take place, must be at a level much higher than is currently prescribed. In short, a four percent capital level requirement, in whatever fashion it may be established, is inadequate in light of the exposures that Corporates confront, just as such a standard is deemed inadequate for natural person credit unions.

To that point, should Corporates be allowed to continue providing liquidity related services, but minimum Corporate capital levels must be at or above those that are acceptable for the safety and soundness of natural person credit unions. It is clear that the inherent risk is substantive and a four percent net worth ratio does not adequately compensate for that risk.

We underscore the proposition that capital contributions should be borne only by those institutions that participate in the corporate credit union.

Thank you for the opportunity to contribute our views to the critical questions that have been raised. Moreover, we would welcome any opportunity to amplify our views on these important questions.

Very truly yours,



Frank R. Pollack
President/CEO

FRP/kld