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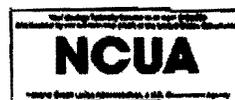
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AMERICAN
CREDIT UNION



Equal
Opportunity
LENDER



April 3, 2009

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

Re: Comments on Advanced Notice of Proposed Rulemaking for Part 704

Dear Ms. Rupp,

It is unfortunate we are in the situation we are in today. If NCUA had exerted the same energy used in addressing minor issues at our credit union with the same fervor in addressing major issues at the corporate credit unions, we would not be facing the dilemma we currently face. Our credit union was aware of problems with our particular corporate, Members United, back in 2007. We reviewed and monitored their monthly financials which were deteriorating and suggested to them over a year ago the need to find a stable merger partner consisting of one, two, three or more other corporates to save themselves and the potential risk and harm to the 2400 credit unions they claimed to do business with.

Regarding solutions to this debacle we propose:

1. The seven to nine corporate credit unions in trouble at this time seek merger partners with any combination of the remaining corporate credit unions either voluntarily or under the direction of NCUA to minimize losses and expenses to natural-person credit unions. This action would result in five to nine "Super Corporates" rather than the existing twenty eight we have today;
2. The seven to nine troubled corporate credit unions along with U.S. Central FCU combine to form one super corporate and then seek to convert to a bank charter for the express purpose of then being able to access TARP funding. Membership capital and Paid in capital held by the "New" Bank/Corporate would be returned to natural person credit unions in the form of stock (still subject to the three year withdrawal restrictions). NCUA would need to make stock ownership in the "New" Bank/Corporate a permissible investment for natural person credit unions;
3. The funds NCUA has already committed to U.S. Central FCU and the troubled corporate credit unions would be repaid back to natural person credit unions in a

fashion similar to how the U.S. Government will be repaid on the distributions of TARP funds they have made.

It has been suggested that there is no TARP money available to the credit union system because the U.S. Government does not deem the credit union industry as "too big to fail" thus necessitating assistance. If this is the case, don't mislead credit unions with rhetoric and tell them the truth. We would then need to start a grassroots campaign with our 90,000,000+ members to educate our elected representatives that they are making a very big mistake which they will come to regret at election time. As an industry, we need to make a case for our existence and rightful place in line with the other financial institutions out there.

What seems to be exasperating about this whole situation is this notion that we have an obligation and duty to bail out the corporates which quite frankly we do not. The costs to natural person credit unions will cause at least 60% of the credit unions to operate in the red this year. Yes, there is systemic risk to the industry as a whole if the 6 to 9 corporates in trouble fail, however, we risk the entire industry failing if there is panic amongst the members that their credit unions are losing money too and credit unions experience any types of runs as a result. ***Remember: Nowadays, Perception is Reality!***

One can argue about which came first, the chicken or the egg; but in our case there is no argument, the credit unions came before the corporate credit unions. The entire industry should not be sacrificed to save the corporates. Based on the recent conservatorship of U.S. Central and Wescorp, it is imperative that no further corporates be placed into conservatorship to prevent further losses being incurred to natural person credit unions which most likely would cause runs.

Regarding the ANPR and the six areas you are seeking additional comments on, we will touch on each one.

The Role of Corporates in the Credit Union System:

Payment Systems: Credit unions favor one-stop shopping for their investments and operational needs; therefore we don't see the need to set up separate charters to separate these functions. Corporates should be able to demonstrate, through business modeling and projections that they can afford to offer these services to where they are self-sustaining.

Liquidity and liquidity management: We agree with the Board that one of the primary purposes of the corporate system is to provide liquidity for the credit union system. NCUA should work with our elected representatives to gain access to the CLF for the corporates use which currently is not available to them as a source of liquidity. Natural person credit unions should not be required to maintain settlement account balances as has been suggested.

Field of Membership Issues: As stated above, corporate credit unions should be merged to the point of there being anywhere from five to nine "super corporates" to serve the industry. Another alternative would be to have five corporates mirroring the five NCUA regions with credit unions utilizing the services of their "regional" corporate.

Expanded Investment Authority: NCUA set the rules regarding this and we believe this is a decision for NCUA to make as to whether or not to continue with it. As a safeguard, NCUA should require periodic requalification for expanded authorities on an annual basis.

Structure; two-tiered system: Based on comments from above we do not feel there is a need for a two-tiered system. Although greater efficiencies could potentially be realized if there was only one corporate serving the entire population of natural person credit unions, there is considerably too much concentration risk to allow this to occur. Rather, we still believe credit unions should utilize the services of their "regional corporate" if they so choose to use a corporate credit union. If a natural person credit union doesn't want to use their regional corporate, then they should be prevented from using any "out-of-their-region" corporate which would help reduce the competition between the corporates for the same dollars. If a regional corporate is not competitive they will risk losing natural person credit union business to banks or other service providers as was the case before corporates even came into existence.

Corporate Capital

Core Capital: A core capital requirement of 4% should be established for corporates with a 6% requirement for corporates with expanded investment authority. The time frame to achieve this goal would be within 6 years given the current environment. The appropriate method to measure core capital should continue to be the current requirement of actual capital divided by the 12-month daily average net assets as outlined in the NCUA Examiner's Guide for Corporate Credit Unions. If NCUA required that a corporate limit its services only to members maintaining contributed core capital with the corporate, then this would have an adverse effect on the corporate as credit unions would seek to withdraw their membership shares from the corporate as there is no benefit to leaving them there. As an example, our particular credit unions membership capital is currently set at 1% of our asset size from 9/30/08 which amounts to \$537,500. For this amount, which may not be withdrawn without three years written notice, we pay a "discounted" rate for services provided to our credit union which is roughly \$6,000 per month. If our shares are on notice we are billed an additional 9% during this time and it will increase to 18% after the three years. Over the three years, our credit union would incur an additional expense of approximately \$19,500 to do business with our corporate and thereafter the annual expense would increase to approximately \$13,000. It would take roughly 43 years to "burn through" our membership shares for the "honor" of doing business with our corporate. After the three year period our credit union would be paying to the corporate

the same fees for services as we would expect to pay at a bank for similar services. Why should our credit union be forced to pay, basically, "upfront fees" of over \$500,000 to do business with the corporate? From an economic standpoint, it makes more sense to do business with an alternate service provider and put those other monies to a more productive use for the benefit of our credit union members.

Membership Capital: The current rules regarding membership capital should be retained with no changes. If a credit union requests withdrawal of their membership shares they currently have to wait the three years before receiving their monies. Credit unions knew the rules when they entered into this agreement with their corporate/corporates and attempts to change this now to prop up the corporate system would only serve to undermine the credibility of our regulator and of the entire corporate system. ***You don't change the rules in the middle of the game because you don't like the potential outcome!*** Any changes made to the current membership shares agreements most likely would result in litigation due to breach of contract.

Risk-based Capital and Contributed Capital Requirements: NCUA should consider risk-based capital for corporates consistent with that currently required of other federally regulated financial institutions. A natural person credit union ***should not*** be required to maintain a contributed capital account with its corporate as a prerequisite to obtaining services from the corporate. Pricing of services should be adjusted to reflect if a credit union has contributed capital or not.

Permissible Investments

Corporate structure is different from natural person credit unions as well as the investment needs of each. As such, we favor corporate credit unions having the ability to invest in items prohibited to natural person credit unions as long as they are permissible by NCUA's standards. We also call for corporate credit unions to get permission from NCUA before entering into new investment vehicles so they can be evaluated for their safety and soundness.

Credit Risk Management

NCUA should require more than one rating for an investment and require that the lowest rating meet the minimum rating requirements of Part 704. NCUA should require additional stress modeling tools in the regulation to enhance credit risk management.

Asset Liability Management

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NCUA should require corporate credit unions to perform net interest income modeling and stress testing. NCUA should require corporate credit unions to use monitoring tools to identify trends. If certain scenarios result from the modeling and testing, it is inherent upon the corporate credit union to buy and or sell investments in a timely manner in order to maximize returns and minimize losses that may occur.

Corporate Governance

As is the case with natural person credit unions, corporate credit unions maintain minimum qualifications for Board and Committee members. It is important to ensure that the qualifications of directors correlate to the activities of the corporate they are serving. NCUA should require corporates to maintain a training program that correlates to the activities of the corporate. In addition, proof that training and/or testing has occurred should be available for review by NCUA. The idea of an "outside director" does have merit; however, individuals from outside the credit union industry should not be permitted to serve on a corporate credit union board. The learning curve which would be experienced by an "outside director" would be counter-productive to the corporate and outweigh the benefits of any new or fresh perspectives they bring to the table. That being said, you may want to consider "outside advisory (non-voting) members" just for the benefits of being able to offer new perspectives.

Regarding term limits, we believe there should be term limits for directors but each corporate's membership should decide what limit is appropriate. Corporate directors should not be compensated. Corporate directors should be reimbursed for actual out of pocket expenses they incur to attend meetings and training on behalf of the corporate. Regarding access to salary and benefit information of senior management, this is really a matter of privacy and this information should not be disclosed. There should be job descriptions outlining qualifications and requirements of the positions to be held in addition to salary ranges for each position. To safeguard employees and their families from potential abuse, especially during this current economic climate, salaries should not be disclosed.

Respectfully submitted by:

The Board of Directors and Management of Auburn Community FCU
Charter # 00988