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JEFFERSON COUNTY FEDERAL CREDIT UNION

A COMMUNITY CREDIT UNION

NCUA

April 1, 2009

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

Re: Advanced Notice of Proposed Rulemaking (ANPR) to 12 CFR Part 704

Dear Ms. Rupp:

On behalf of the members, board, management and staff of Jefferson County Federal Credit Union, I would like to take this opportunity to comment on the recently issued Advance Notice of Proposed Rulemaking (ANPR) to 12 CFR Part 704.

We commend the NCUA for allowing natural person credit unions the opportunity to express our thoughts and viewpoints as a part of this evaluative process.

Jefferson County Federal Credit Union is $115 million in assets, has 13,500 members, and serves seven counties in Kentucky as well as two in southern Indiana. We are currently members of Kentucky Corporate FCU and have been since it was chartered in 1982. We use the following services exclusively from Kentucky Corporate. Settlement, ACH Origination, ACH Receipt, International Wires, Domestic Wires, Line of Credit, Investments, SimpliCD, Security Safekeeping, Check Collection, Coin and Currency, Bill Payment, Automated Settlement, Member Share Draft Clearing, BSA Training to mention the major ones.

Kentucky Corporate is currently and always has been our life line to the wholesale financial world. It would be extremely expensive, cumbersome and virtually impossible to replace them with a larger corporate institution, the Federal Reserve or a large bank for a comparable financial and human resource commitments.

Our members will suffer irreparable harm if this institution does not continue to exist as it does today. When those members go away because services are not available or cost considerably more the very fiber of the credit union movement will be further threatened and our ever shrinking number, particularly us small guys, will shrink more rapidly. We need our corporate and they need US Central. The mere thought of restructuring what has worked well for countless years is the most potentially dangerous conversation for credit unions that I've heard in my 32 years of service.

There has been much discussion from NCUA about restructuring the corporate network. The fact that wall street rating firms classified the mortgage back securities as "AAA" and deemed them a good investment doesn't seem to come up. The corporate problems, from my perspective, are a byproduct of those errors, bogus value assumptions and Capital Hill pushing the real estate industry to put people in home they knew they could not afford. Maybe those industries need more policing and restructuring to really fix this. I realize that is not within NCUA's scope of authority but maybe you can share that thought with the agencies that do oversee those areas.

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If some corporates were not forth coming with NCUA relative to the amount of a particular type of security they owned that obviously needs to be addressed. Additional oversight, particularly related to the percentage and type of investments, is no doubt called for. Again, this should include all financial service industry players. If these types of securities continue to be allowable investments the rating agencies should be required to analyze in more depth and with greater accuracy the products they approve and tout. They should actually be held to a higher standard than the producers.

I recall the investment fiasco and losses with some natural person credit unions in the eighties. Restrictions of allowable investment vehicles put in place by NCUA fixed that problem without reinventing the wheel. Ed Callahan and company threw out just the bath water, not the baby!

Most of us out in credit union land have no knowledge of the actual details of the problems. Limited output from NCUA leaves me no option other than to believe that you acted in haste. Your actions are giving natural person credit unions a financial black eye and raw deal picking up this tab. Picking up the tab was bad enough but the methodology employed to do so is horrendous. Our members do not have much to feel good about anywhere in the financial arena. Now they obviously have less. FASB changes could have offered some relief but that shipped sailed when the conservatorship was initiated. Rules could have been suspended allowing a direct charge to the reserves we built over the years. Please don't make another ill conceived, improper, hasty and unnecessary decision on the corporate system.

The vast majority of natural person credit unions, most corporates and US Central seem to have gone about the business of serving their respective members and doing it the right way. It seems you now want the corporates restructured, which again harms the natural person credit unions and their members. The natural person credit unions have to pay the freight to fix what's wrong in the world that they had absolutely no part in breaking. Please take a step back and look at the big picture. Please don't deprive the people and natural person credit unions that need corporate credit union services by fixing what is not really broken. Please don't penalize the little guys for what the big wall street guys did.

In closing, we appreciate the opportunity to comment regarding the future of the corporate system and understand that sound and prudent judgment dictates that NCUA and the industry carefully review the role and structure of the corporate system going forward.

We encourage the agency to keep our views and needs in mind regarding any new regulation as we feel a healthy and strong corporate system is essential to assist us in serving our members.

Sincerely,

Carl F. Hicks, Jr.,
President and CEO

CFH/bb

CC: Chairman Fryzel
Vice Chairman Hood
Board Member Hyland