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CHARTWAY®
FEDERAL CREDIT UNION

Chairman of the Board

April 1, 2009

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

Dear NCUA Board Members,

Thank you for soliciting comment on NCUA's Advanced Notice of Proposed Rulemaking (ANRP) for Part 704 of the NCUA Rules and Regulations regarding proposed changes to the Corporate Credit Union System. The comments presented in this letter are being provided by Chartway Federal Credit Union's Legislative/Regulatory/Advocacy Committee and our Board of Directors.

I have summarized the responses below.

1. **Role of Corporate Credit Union in the Credit Union System**

It is the opinion of Chartway, NCUA needs to revise and update the structure of the corporate system. In regards to this issue, Chartway believes it is important to divide the systems and services currently offered into two separate charters, as there are specific risks associated with each line of business along with separate regulatory requirements. For example, there is no risk associated with payment services compared to the investment services which has inherent risks.

Additionally, Chartway agrees with the proposed establishment of distinct capital requirements for each service. This would provide a clear assessment of the capital risks associated with each of these lines of business. For example, no membership capital should be required for payment service since there is no risk involved pertaining to this service. This, in itself, would create a "financial and regulatory firewall" between the two services.

Moreover, we agree that corporates should continue to provide the liquidity function for credit unions as one of their services. As noted above, this function should have distinct capital requirements associated with the risk. Again, the investment function encompasses more risk than the payment services and capital should be calculated, as such.

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2. Field of Membership

Chartway agrees that national field of membership is important and provides credit unions with a competitive environment for both investments and payment services.

3. Expanded Investment Authority

This is the crux of corporate's issues. By allowing corporates to have expanded authority, in a competitive marketplace, it encourages them to accept more risk; thereby exposing the natural person credit unions. Going forward, corporates must be required to diversify their investment portfolio so that no single investment category can undermine the financial strength and soundness of the corporate. In other words, a diversification model is needed.

4. Two-Tier System

We support a two level system comprised of a single corporate credit union servicing all natural person credit unions; thereby consolidating the retail corporate function into a single entity. This will serve to simplify the system and consolidate services.

5. Corporate Capital

We believe the capital ratio requirement should reflect a risk-based calculation according to overall risk. Whether this is 2% or 12 % depends on the investment, service and business risk.

6. Core Capital

The current definition of tier one capital is sufficient; however NCUA should include "Tier One Capital" and "Membership Capital" in Core Capital. Additionally, it is our opinion that membership capital withdrawal guidelines should be established prior to or at the time of investment; but not to be conditional on the financial stability of the corporate at the time of withdrawal.

7. Credit Risk Management

We believe again there should be a diversification model that is stress-tested (risk-based) that will ensure the corporates are managed with in specific safety and soundness parameters. Yes, we believe a revision to credit risk management is needed. Specifically, to develop a diversification model that ensures no single investment or investment category can undermine the safety and soundness of the corporate.

8. Asset Liability Management

We fully support the requirement that corporates perform income modeling and stress-testing.

9. Corporate Governance

We believe the standards for board member service should be defined by diversity, not experience. Diversification of directors should include non-corporate representatives from specific regions. Additionally, all board directors should be representatives of organizations who are actually vested through membership capital.

Moreover, we recommend 4 year terms, 2 term maximum. Additionally, there should be imposed some limitation as to the number of boards of which board members can serve in order to ensure they can dedicate ample time and proper resource to the job.

Compensation of corporate directors is not necessary or standard within the credit union industry. Outside representation is not necessary – we have ample experience and skilled credit union people to manage our corporates. We believe we should have representatives from natural person credit unions, along with volunteers and credit union staff. Each corporate should have a Supervisory Committee established, to be modeled after a natural person credit union.

In closing, all of our recommendations hinge on the ability to address the issue of trust. Currently, there is no confidence or trust in the system due to the accountability failures by both management and regulatory persons. First and foremost, the responsible partiers need to be addressed. You can not legislate accountability. As such, until this is corrected, these proposed changes will do nothing to correct the problem only the symptoms.

Sincerely,

E. L. Gull Jr.

E. L. (Lou) Gull
Chairman of the Board
Chartway Federal Credit Union