

From: Erick Orellana [EOrellana@NIKKEICU.ORG]
Sent: Saturday, April 04, 2009 7:52 PM
To: _Regulatory Comments
Subject: Advanced Notice of Proposed Rulemaking to 12 CFR Part 704

April 6, 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 to 12 CFR Part 704

Dear Ms. Rupp:

On behalf of the management and Board of Nikkei Credit Union, I thank you for the opportunity to comment on the recently issued Advance Notice of Proposed Rulemaking (ANPR) to 12 CFR Part 704.

Nikkei Credit Union Credit Union is \$65 million in assets and we serve over 6,200 member-owners. We are currently members of Western Corporate Federal Credit Union and Southwest Corporate Federal Credit Union.

We use the following services from Western Corporate Federal Credit Union:

ACH Processing, Share Draft Processing, Check 21, Domestic Wires, International Wires, Secure Line of Credit, Unsecured Line of Credit, Settlement, Image Check Processing, SimpliCDs, Bullet Investments, Callable Investments, and Liquidity.

In addition, we use ALM Modeling Services from Southwest Corporate Credit Union.

We find most of these services critical to the operations at Nikkei Credit Union. They allow us to serve our members and be competitive with larger financial institutions. These services are provided at a reasonable cost and without them, we would not be as successful in attaining the relationships that we have been able to build with our members.

Due to our size, if Corporates did not provide these services, we would face some difficult alternatives. They would require us to employ additional staff and pay more for the same or inferior services. At Nikkei Credit Union we are at a clear disadvantage due to our size. We would be at the mercy of other providers that sometimes are in direct competition with us such as banks.

Western Corporate Credit Union has traditionally served the credit union well. They have been attentive to our needs and have allowed us to deploy technology that is usually lacking in smaller financial institutions. They play a vital role in some of the core services that we offer our members.

I agree that there have to be some fundamental changes made to the corporate structure as it exist today. A limited field of membership for corporates should not be one of them. At Nikkei we utilize two corporates. The flexibility that exist in some of the corporate credit unions have allowed us to obtain what we consider the best of breed from different corporates. Currently our main relationship is with Western Corporate Federal Credit Union but we use Southwest Corporate Federal Credit Union for ALM services. Competition is good for

business and natural person credit unions should not be limited to just one or a few corporate credit unions. We need and should have choices.

We depend on our corporate for liquidity. We currently have a secure line of credit and an unsecured line of credit. In addition, we use our corporate for our daily account.

Corporate Governance is not broken. Just as natural person credit unions, the board of directors should come from the membership. I do not believe that having an outside board member will add value to the structure nor would have prevented the current situation we now face.

NCUA does need to review the current investment authority enjoyed by corporates. We are paying a high price for some of the expanded authority given to the corporate network. Corporates should be limited to investments that protect natural person credit unions from potential losses.

Corporate credit unions should not provide investment services as one of their key functions for natural person credit unions. I believe that expectation from natural person credit unions for a higher yield from their corporates have lead us to our current situation. We, natural person credit unions, need to recognize that if corporate credit unions continue to provide investments, they would have to be priced lower since we do not want our corporate credit unions to take on the same amount of risk as they did before.

NCUA should use all tools at their disposal to minimize the impact that current actions are having on natural person credit unions. The impact at Nikkei is severe; we stand to loose \$630,113 from our Western Corporate Federal Credit union Membership Capital Account, \$485,366 from the NCUSIF Deposit Impairment and \$145,610 from the premium. This amounts to \$1,110,625 for a \$65 million credit union. Our capital will drop 173 basis points. We are fortunate to have a strong capital position but this is not the case with many of our peers. The current economy downturn has had a disproportional affect on California credit unions. The losses from current economic conditions, loss of corporate capital accounts, NCUSIF deposit impartment, and the premium are having a devastating affect on California Credit Unions. We need a healthy credit union system so our members can continue to place their trust in us.

We appreciate the opportunity to comment regarding the future of the corporate system and how any changes made may impact Nikkei Credit Union and its members. I understand that sound and practical judgment dictates that NCUA, Corporate Credit Unions, Natural Person Credit Unions, and other industry parties carefully review the role and structure of the corporate system for the future.

In closing, we trust that NCUA keeps our viewpoint and needs in mind in the new regulation as we feel we need a strong corporate system that supports the mandate of natural person credit unions to serve our members.

Sincerely,

Erick Orellana
Chief Executive Officer
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