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April 3, 2009

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

re: National Credit Union Administration; Corporate Credit Unions; 12 CFR Part 704; 74 Federal Register 6004, February 4, 2009

Dear Ms. Rupp:

The National Credit Union Administration Board (the Board) has issued an advanced notice for proposed rulemaking (ANPR) to evaluate and reconsider the role corporate credit unions currently play in the credit union system. The ANPR is being issued at a time when the corporate credit union system has come under serious financial stress and has imposed a significant financial cost on natural person credit unions. More than a decade ago, the National Credit Union Administration (NCUA) was forewarned of the risk corporate credit unions posed to natural person credit unions, but failed to address these problems. The American Bankers Association (ABA)[1] believes that the Board should move in an expeditious fashion to strengthen the capital regulation and risk management practices of the corporate credit union system.

ABA has made numerous recommendations to improve the supervision of corporate credit unions. ***However, the most important recommendation is that corporate credit unions should hold sufficient capital to keep losses from flowing to natural person credit unions.*** Specifically, ABA believes that:

- The ***definition of capital*** for corporate credit unions should be analogous to that used by regulators of other federally-insured depository institutions.

- NCUA should establish ***minimum standards for the permanent capital*** of corporate credit unions.

- Corporate credit unions should be subjected to a ***risk-based capital standard***.

Additionally, because corporate credit unions are operating in a more challenging business environment and some corporate credit unions have expanded their risk profile reaching for yield, ABA believes that the National Credit Union Administration (NCUA)

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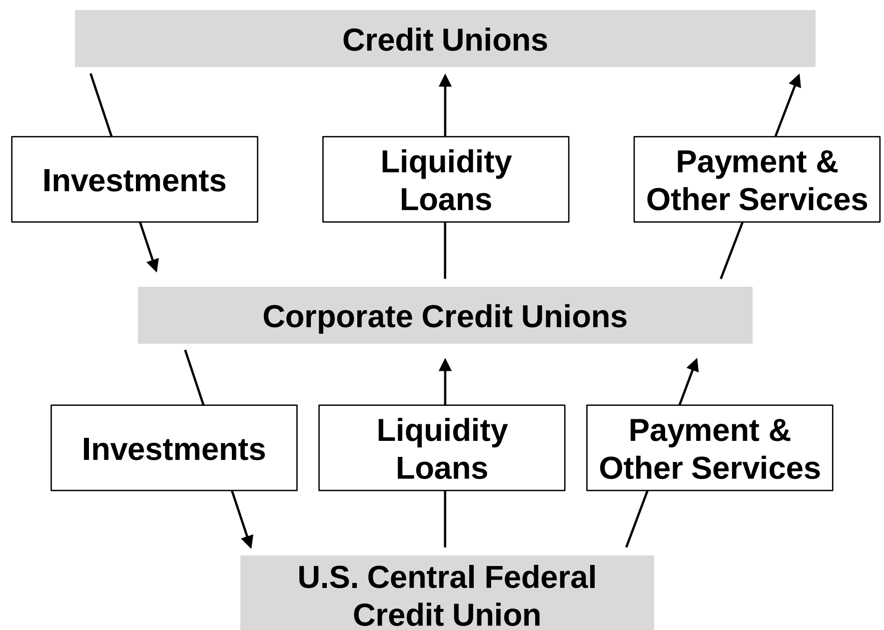
[1] ABA works to enhance the competitiveness of the nation's banking industry and strengthen America's economy and communities. Its members – the majority of which are banks with less than $125 million in assets – represent over 95 percent of the industry's $14 trillion in assets and employ over 2 million men and women.

should carefully evaluate corporate credit unions that have assumed greater risk to determine if these institutions have the internal controls and adequate capital to manage this risk.

Background Information on the Corporate Credit Union System

Corporate credit unions are nonprofit, financial cooperatives that are owned by natural person credit unions (that is, credit unions whose members are individuals).

Credit unions operate in a three-tier structure. U.S. Central Federal Credit Union (FCU), which operates in a similar manner to a bankers' bank, invests the excess deposits of member corporate credit unions and provides liquidity and payment services to its member corporate credit unions. Corporate credit unions provide investment, liquidity, and other services to the nation's 7,800 natural person credit unions, although their historical role was that of a liquidity provider. Small credit unions may be more reliant on corporate credit unions, because they may not have the skills or resources to perform these services.



In addition, corporate credit unions offer other products and investment advice to natural person credit unions, such as automated settlement, securities safekeeping, data processing, accounting, and electronic payment services, which are similar to the correspondent services that large commercial banks have traditionally provided to community banks.

At the end of 2008, there were 28 corporate credit unions, including U.S. Central FCU.

Credit Market Freeze Placed Strain on Corporate CU Liquidity

In addressing the Credit Union National Association in 1998, Treasury Assistant Secretary Richard Carnell said the following:

> I want to turn now to the fourth topic from the study: credit unions' access to emergency liquidity. This topic came to our attention as we reviewed corporate credit unions. Corporates provide their member credit unions with a safe place to invest unloaned funds. And one way they can invest those funds is by lending them to other credit unions. The corporate system does a fine job of reallocating excess liquidity.

> But what would happen if we had a systemic crisis, whether in the financial system generally or in the credit union system specifically. What if, in the midst of that crisis, there were no excess liquidity?[2]

As the financial crisis enters its 19th month, those words spoken more than a decade ago by Assistant Secretary Carnell are ringing true today. The corporate credit union system is experiencing a strain on liquidity and capital due to approximately $64 billion held in mortgage and asset-backed securities for which, in most cases, there is currently a limited active trading market.

According to Standard & Poor's (S&P), "[t]he credit crisis has had only minimal impact on corporates that have stuck closest to the original model, taken very little incremental risk (and therefore little to no exposure to securities write-downs), and husbanded their franchise. However, several other rated corporates have heightened risk profiles arising from their holdings of more at-risk securities, specifically 2005-2007 vintage subprime, Alt-A, and home equity-backed structured securities."[3]

As of November 30, 2008, corporate credit unions reported approximately $18 billion in unrealized losses on securities. Concerns that some of these unrealized losses will be treated as other-than-temporarily-impaired (OTTI) have caused rating agencies to downgrade the debt ratings of some corporate credit unions.

As information about the financial conditions of corporate credit unions became public, natural person credit unions have reduced their exposure to corporate credit unions. Since the end of 2007, investments in corporate credit unions by natural person credit unions have declined by almost 17.7 percent to $28.7 billion. Between March 31, 2008, and September 30, 2008, natural person credit unions' deposits in corporate credit unions contracted by nearly 49 percent, from $44.7 billion to $22.9 billion.

Corporate credit unions can only meet this demand for liquidity by (1) selling securities, (2) drawing down their deposits at U.S. Central, or (3) increasing their borrowings.[4] Given the dislocation in the credit markets, should a corporate sell its securities at this time, such transactions will likely occur at "fire sale prices" resulting in losses that may far exceed the current unrealized losses and the $8.7 billion in corporate total capital. Therefore, selling investments are not a feasible option to meet the demand for liquidity of natural person credit unions.

Additionally, several corporate credit unions as of November 2008 were approaching their borrowing limit from the Federal Home Loan Banks, including Western Corporate (WesCorp), Members United, Corporate America, and Corporate One. Therefore, to meet natural person credit unions' demand for funds, corporate credit unions were drawing down their deposits at U.S. Central. U.S. Central FCU reported that members' shares and certificate accounts fell 53 percent, from $36.8 billion as of January 2008 to $17.3 billion as of January 2009.[5,6]

NCUA has taken a number of initiatives to shore up the corporate credit union system since mid-October 2008:

2 http://www.treas.gov/press/releases/rr2237.htm

3 Standard & Poor's, Corporate Credit Union Rating Review Leads To Several Rating Actions, January 8, 2009.

4 Under NCUA's current regulations, corporate credit unions may borrow up to 10 times capital or 50 percent of shares and capital, whichever is greater. In the failure of Capital Corporate FCU in 1995, this borrowing limitation was a severe and binding constraint.

5 http://www.uscentral.org/uploadedFiles/USC%20January%202009%20financials.pdf

6 As of November 2008, U.S. Central had borrowed $3.5 billion of its $3.76 billion line from the Federal Home Loan Banks.

- On October 16, 2008, NCUA approved a Temporary Corporate Credit Union Liquidity Guarantee Program (TCCULGP) that will operate from October 16, 2008, through June 30, 2009. The National Credit Union Share Insurance Fund (NCUSIF) provided a 100 percent guarantee on new unsecured debt obligations issued by eligible corporate credit unions on or before June 30, 2009, and maturing on or before June 30, 2012. This included promissory notes, commercial paper, inter-bank funding, and any unsecured portion of secured debt. Twenty-six corporate credit unions, including U.S. Central, are participating in the program.

- On December 9, 2008, NCUA unveiled its Credit Union System Investment Program (CU SIP) to provide contingent liquidity to corporate credit unions. Under the CU SIP, participating creditworthy credit unions would borrow from the Central Liquidity Facility (CLF) and invest in a SIP Note. The CLF will designate which corporate will issue SIP Notes to which credit unions. Each SIP Note will be fully guaranteed by the NCUSIF, pursuant to the TCCULGP. The corporate credit union that receives the funds will be required to use it to retire external debt to free up collateral. So far, the CLF has advanced almost $8 billion through the CU SIP.

- On December 12, the Board approved a regulatory change that enables U.S. Central to convert its membership capital accounts (MCA) to a new paid-in-capital instrument (PIC2), which is considered Tier 1 capital by debt ratings agencies.

- On January 28, 2009, U.S. Central FCU informed the NCUA that it would be taking an OTTI charge of $1.2 billion for 2008, creating a loss of $1.1 billion. As a result NCUA issued a $1 billion note to U.S. Central Federal Credit Union – which has 26 corporate credit union members -- to offset the expected losses and guaranteed uninsured shares at all corporate credit unions through February 2009 and established a voluntary guarantee program for uninsured shares of all corporate credit unions through December 31, 2010. Twenty-three corporate credit unions have subsequently opted for the voluntary guarantee.

John Kutchey, acting director for NCUA's Office of Examination and Insurance, commented during a National Association of Federal Credit Unions' webinar that if NCUA had not acted on January 28 to stabilize the corporate credit union system, there may have been costs of $40 billion to $50 billion from the sale of corporate credit unions' underwater securities, with the impact felt throughout the credit union industry.[7]

On March 20, NCUA placed both U.S. Central FCU and WesCorp FCU into conservatorship. U.S. Central has approximately $34 billion in assets, and WesCorp has $23 billion in assets and 1,100 natural person credit union members. NCUA found that the potential credit losses at the two corporate credit unions presented an immediate capital concern necessitating NCUA assuming control of the two institutions.

The impact of NCUA's action to stabilize the corporate credit union system has been that all federally-insured credit unions will be required to write down partially their one percent NCUSIF deposit and will be assessed a premium to restore the NCUSIF ratio to 1.30 percent of insured deposits. With the conservatorship of the two corporate credit unions, NCUA has revised upward its estimate of the losses to the NCUSIF. The NCUSIF-required reserves for potential losses jumped from $4.7 billion to $5.9 billion. This will result in an impairment charge of 69 percent of the credit unions' one percent NCUSIF deposit. NCUA has also estimated that this impairment of credit unions' one percent deposit in the

[7] http://www.nafcu.org/

NCUSIF will lower the net worth ratio of credit unions by 65 basis points. Moreover, NCUA estimates that the cost of the corporate credit union stabilization program could ultimately increase to as much as $10.8 billion in losses; but under a worse-case scenario, those losses could be as much as $16 billion.[8]

ABA's Position

ABA's comments will focus on three issues. First, the tiered structure of the credit union system requires that corporate credit unions hold sufficient capital so that the risk of losses does not cascade to natural person credit unions. Second, corporate credit unions are operating in a more challenging business environment, assuming greater risk, and should be subject to enhanced supervision. Finally, good corporate governance is part of sound risk management.

Corporate CUs Should Hold Sufficient Capital to Keep Losses from Flowing to Natural Person CUs

In 1997, Treasury commented that the tiered cooperative structure of the credit union system creates an interdependence risk among and within the various levels. "Specifically, a credit union's deposits at its corporate credit union, and its membership capital account, are assets on its books. At the same time, the credit union's corporate credit union carries these funds as (largely uninsured) deposits and secondary capital, respectively, on its balance sheet. The same relationship holds between corporate credit unions and U.S. Central. Thus, if U.S. Central were to fail, its member corporate credit unions could face losses on their deposits – reducing their own net worth. Similarly, if a corporate credit union were to fail, its member credit unions could face losses on their deposits and thus a reduction in their net worth."[9]

This statement can no longer be dismissed as idle speculation; it has become reality with the conservatorships of U.S. Central and WesCorp. Corporate credit unions will have to expense their equity investments in U.S. Central, and natural person credit unions will have to write down their equity positions in WesCorp, thus adversely impacting the net worth of corporate credit unions and natural person credit unions, respectively.

This interdependence of risk mandates that each level within the tiered cooperative structure of the credit union industry needs to have sufficient net worth relative to the risks undertaken so as not to pose a risk of losses cascading from U.S. Central to corporate credit unions and from corporate credit unions to natural person credit unions.

Therefore, it is very appropriate for NCUA to focus on ***restructuring the capital standards applied to corporate credit unions.***

According to NCUA's current regulations, capital of a corporate credit union is comprised of retained earnings, paid-in capital, and membership capital. Currently, corporate credit unions are subject to two capital requirements. First, corporate credit unions must meet a minimum capital ratio of 4 percent, which is calculated at least monthly. Second, corporate credit unions must meet a retained earnings ratio of two percent.

Corporate credit unions, however, are not subject to a risk-based capital standard, and NCUA's regulation does not draw a distinction between well-capitalized versus adequately capitalized institutions. In other words, prompt corrective action standards have not been applied to corporate credit unions.

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[8] http://www.ncua.gov/letters/2009/CU/09-CU-06.pdf
[9] Credit Unions, The Department of the Treasury, 1997, p. 104.

ABA believes that the following principles would bring corporate credit unions into a more appropriate capital position:

1. NCUA should participate with the Federal Financial Institutions Examination Council in the development of capital standards and then should apply the new requirements to corporate credit unions.

2. The definition of capital for corporate credit unions should be analogous to that used by regulators of other federally-insured depository institutions.

3. NCUA should establish minimum standards for the permanent capital of corporate credit unions.

4. Corporate credit unions should be subjected to a risk-based capital standard, as well as a meaningful leverage ratio requirement.

ABA strongly urges NCUA to align itself more closely with the supervisory policies of the other members of the Federal Financial Institutions Examination Council (Examination Council). ABA believes that closer coordination with the banking agencies in developing capital standards for corporate credit unions would benefit both NCUA and the credit union industry. Therefore, ABA recommends that NCUA should adopt capital definitions for corporate credit unions that are more in line with those used by the federal banking agencies.

The capital requirements jointly developed by the other Examination Council members should serve as a standard for NCUA for all credit unions, including corporate credit unions. These requirements have been developed through extensive consideration on an international basis. In fact, they are currently under critical review. ***NCUA should be a full participant in the Examination Council's redevelopment of capital requirements*** and then should apply the new requirements to corporate credit unions. This would assure that all depository institutions are bound by sound and competitively equivalent capital requirements.

ABA believes that NCUA has the authority to impose such a standard on corporate credit unions. In finalizing its rule that amended the definition of post-merger net worth for corporate credit unions, the NCUA Board stated that:

> Congress did authorize the NCUA Board to charter "central credit unions" and subject them to "such rules, regulations and orders as the Board deems appropriate." 12 U.S.C. 1766(a). Thus, the NCUA Board has the authority to prescribe the capital structure of corporate credit unions.[10]

As previously mentioned, NCUA defines corporate credit union capital as retained earnings, paid-in capital, and membership capital. ABA believes that NCUA should follow the capital standards established by bank regulators, where appropriate.

First, ABA would recommend establishing a core capital (tier-one) requirement. This core capital would consist of retained earnings and permanent paid-in capital.

[10] Federal Register, Vol. 73, No. 231, (December 1, 2008), 72691.

Membership capital accounts (MCAs) should not be included as core capital. MCAs are secondary capital for corporate credit unions and are essentially a device for up-streaming net worth from credit unions to corporate credit unions and from corporate credit unions to U.S. Central. Inclusion of MCAs as core capital would inappropriately inflate the leverage ratio.

NCUA has acknowledged in the past that the function of membership capital is to serve as a secondary resource for the absorption of risk when reserves and retained earnings have been exhausted. The holders of membership capital have the option to redeem the shares three years after notification of their intent to withdraw. This option makes the membership capital considerably less permanent than "core" capital, since it is not controlled by the corporate credit union and is potentially short-lived. Therefore, this form of capital is distinctly different and less reliable than internally generated capital or paid-in capital with far longer maturity or no maturity whatsoever.

ABA believes it is inappropriate to categorize as core capital any instrument that can be withdrawn; rather membership capital accounts should be treated as secondary or supplemental capital in the calculation of risk-based capital ratios analogous to risk-based tier-two capital requirement for banks.

Moreover, NCUA does not restrict the amount of membership capital that can count as capital. Since membership capital is supplemental capital, the amount of membership capital that NCUA should count should be limited to fifty percent of the reserves plus undivided earnings plus eligible paid-in capital. In parallel, the rules for other depositories restrict the amount of subordinated debt and intermediate-term preferred stock that can count as secondary or supplemental capital to no more than fifty percent of core capital. This treatment would be consistent with bank regulation regarding the use of subordinated debt and intermediate-term preferred stock as risk-based tier-two capital.

ABA believes that corporate credit unions should be subject to a minimum core capital leverage ratio and risk-based capital requirement that are comparable to those of the federal banking regulators. A 1994 NCUA study urged that NCUA establish stronger capital requirements, both primary and risk-based, for corporate credit unions. The study recommended that the risk-based requirements take into account credit risk as well as interest rate risk and derivative activities of corporate credit unions. Since 1994, bank capital standards have also been augmented for market and operational risks; it would be appropriate for a corporate credit union risk-based capital standard to do the same.

It is absolutely essential that a risk-based capital standard be established for corporate credit unions.

According to the Government Accountability Office (GAO), beginning in 2003, NCUA allowed corporate credit unions to purchase lower credit quality investments and thus assume more credit risk. GAO noted in its 2004 study of the corporate credit union system that "the Department of the Treasury has raised concerns that allowing corporates to invest in BBB rated securities could weaken the safety and soundness of the corporate network because the amount of capital held in the corporate might not be commensurate with the risks associated with these lower credit quality investments."[11]

Additionally, NCUA through its expanded investment authority allows qualified corporate credit unions to participate in loans with member natural person credit unions. In ABA's October 19, 1999, letter to NCUA, we stated:

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[11] United States Government Accountability Office, Corporate Credit Unions: Competitive Environment May Stress Financial Condition, Posing Challenges for NCUA Oversight, GAO-04-977, September 2004.

> ABA objects to expanding corporate credit unions' loan participation authority because corporate credit unions are exempt from the prompt corrective action statutes in the Credit Union Membership Access Act of 1998 and are not subject to risk-based capital standards. In 1997, NCUA revised part 704 dealing with the governance of corporate credit unions. NCUA amended the capital requirements for corporate credit unions by eliminating the risk-based capital standard and imposed a new minimum leverage ratio for corporate credit unions. The justification for replacing the risk-based capital standards with a minimum leverage ratio was that it would provide additional protection to the National Credit Union Share Insurance Fund (NCUSIF) from management and interest rate risks, because corporate credit unions had negligible credit risk.
>
> If NCUA expands the loan participation authority of corporate credit unions, NCUA would potentially increase the amount of credit risk being assumed by corporate credit unions. The expanded loan participation authority would increase the contingent liability exposure of the NCUSIF to corporate credit unions. It also raises safety and soundness concerns with respect to the whole credit union system, because of the significant portion of uninsured deposits of natural credit unions at corporate credit unions.[12]

While corporate credit unions should be subjected to a credit risk-based capital standard, ABA supports the notion that depository institutions should be allowed to use internal risk models to set capital requirements to manage their credit and interest rate risk exposure.

Also, ABA believes that the adoption of new capital requirements for corporate credit unions should provide corporate credit unions with a reasonable transition period to become compliant with the new requirements. For example, when the bank regulators finalized the Basel I capital requirements in 1989, banks were given a two year period to comply with the new requirements.

On a related note, ABA believes that NCUA should request that Congress require credit unions to deduct their equity investments in corporate credit unions when calculating their net worth ratio for prompt corrective action. In 1997, Treasury proposed deducting member capital accounts and paid-in capital from credit union net worth because "these assets effectively assign part of the credit union's net worth … to the net worth of its corporate credit union."[13] This deduction requirement would apply only to those credit unions that hold membership capital accounts or paid-in capital. The failure of WesCorp highlights the need for this overdue capital reform to protect the safety and soundness of natural person credit unions.

Corporate Credit Unions Assuming More Risk Require Enhanced Supervision

In its 2004 study, the GAO found that corporate credit unions' business environment has become more challenging.[14] Corporate credit unions are confronted with increased competition from other financial services providers, as well as from other corporate credit unions.

Today, corporate credit unions are not the sole providers of products and services to natural person credit unions. Corporate credit unions were once the only source of liquidity for credit unions. However, legislative changes have permitted credit unions new sources of liquidity, including the Federal

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[12] American Bankers Association, Letter to NCUA on 12 CFR 704, October 19, 1999.

[13] Credit Unions, The Department of the Treasury, 1997, p. 72.

[14] United States Government Accountability Office, Corporate Credit Unions: Competitive Environment May Stress Financial Condition, Posing Challenges for NCUA Oversight, GAO-04-977, September 2004.

Reserve Banks and the Federal Home Loan Banks.[15] As of the end of 2008, 938 credit unions were members of the Federal Home Loan Banks; 389 credit unions have filed an application to borrow from the Federal Reserve's Discount Window; and 149 credit unions have pre-pledged collateral with the Federal Reserve's Discount Window. Additionally, credit unions can obtain services related to securities from broker-dealers or investment firms, and correspondent services from banks.

Furthermore, corporate credit unions are increasingly competing among themselves. Corporate credit unions' fields of membership initially served credit unions located in a single state or region. Over time, corporate credit unions were granted national fields of membership, which increased competition among corporate credit unions. This competition has fueled consolidation within the corporate credit union system. By the end of 2008, there were 28 corporate credit unions including U.S. Central FCU. With membership no longer chained to its local corporate credit union, the historically close bond between members and their corporate credit union has weakened. Therefore, a corporate credit union may be less able to rely on its members' support, if needed. In fact, opposition within the credit union industry with respect to the Corporate Stabilization Program "could undermine the strong member support that we believe is required for corporates to maintain their strong creditworthiness."[16]

Additionally, corporate credit unions tend to operate with very thin profit margins. As competitive forces increased, a number of corporate credit unions have ventured from their traditional business model to targeting more sophisticated and potentially riskier investments, such as private label mortgage-backed securities and asset-backed securities, to bolster their earnings. According to the Office of Corporate Credit Unions at NCUA, 16 corporate credit unions have been granted expanded investment authority (for a list of corporate credit unions taking advantage of this expanded investment powers (see Attachment 1).

The shift into potentially higher-yielding securities means that the corporate credit union system could be exposed to increased risks if individual corporate credit unions do not adequately manage the risks associated with their investments. As previously noted, S&P stated that those corporate credit unions that managed to their original business model have seen very little increase in risk, but those corporate credit unions that took advantage of their expanded investment authority have seen a material increase in riskiness.

The problem is magnified, because some corporate credit unions may have taken on excessive concentration exposure with respect to riskier investments. According to Part 704.6(c)(1), "the aggregate of all investments in any single obligor is limited to 50 percent of capital or $5 million, whichever is greater." Allowing a corporate credit union to hold up to 50 percent of its capital in an investment of a single obligor exposes the capital of a corporate credit union to potentially significant losses, which could impair the capital of natural person credit unions. Therefore, ***ABA believes that it is appropriate for NCUA to lower the aggregated investment limit to a single obligor*** so as to enhance the safety and soundness of the credit union system.

Given their changing business environment and use of riskier investments, this increases the importance of NCUA assessing its oversight processes to ensure that corporate credit unions are properly managing risks, especially those corporate credit unions that are taking advantage of NCUA's expanded investment

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15 Pub. Law 96-221 granted credit unions access to the Federal Reserve's discount window. Pub. Law 101-73 gave credit unions access to the Federal Home Loan Banks.

16 Standard & Poor's, "Standard & Poor's Places All Its U.S. Corporate Credit Union Ratings on CreditWatch Negative," February 10, 2009.

authority. ABA believes that the expanded investment authority may not be appropriate given the interdependence of the credit union system.

Additionally, ABA believes that NCUA should ***promote greater transparency*** with regard to the balance sheets of corporate credit unions. This would enhance the role of the market in disciplining corporate credit unions. However, an unintended consequence of NCUA's TCCULGP and the guarantee of uninsured deposits has been the decision by several corporate credit unions, Members United and Corporate One, to cancel their relationships with one or more rating agencies.[17] The dropping of rating agencies could make corporate credit union balance sheets more opaque at a time when there is a need for greater transparency with respect to the investments held and risk assumed by corporate credit unions.

Good Corporate Governance Is Part of Sound Risk Management

Corporate credit unions have become increasingly sophisticated and complex institutions with regard to their investment products and strategies. This increased sophistication requires a corporate credit union board of directors to have appropriate knowledge and expertise, but also independence to exercise its duties.

ABA believes good corporate governance is an important part of sound risk management. Corporate governance sets the tone from the top that brings problems and issues to light so that they can be addressed promptly.

Good corporate governance requires a skilled and trained board that is always learning. Board members should be knowledgeable about their communities, have sound judgment, objectivity, a willingness to devote sufficient time to the tasks of the board, and most importantly have personal integrity.

NCUA is also considering whether to establish a category of "outside director," i.e., persons who are not officers of that corporate, officers of member natural person credit unions, and/or individuals from entirely outside the credit union industry. The inclusion of outside directors could enhance director independence. ABA is not opposed to the inclusion of a category of outside director.

As this letter points out, a number of corporate credit unions have grown in complexity. As these institutions move into riskier activities, it is important that they attract qualified directors that are able to exercise their fiduciary responsibilities. ABA believes that compensating directors of corporate credit unions will insure that these institutions are able to attract well-qualified directors.

Conclusion

In conclusion, NCUA's program to stabilize the corporate credit union system has imposed a significant financial cost on natural person credit unions. The tiered structure of the credit union system requires corporate credit unions to hold sufficient capital so that losses do not flow to natural person credit unions. Corporate credit unions have assumed greater risk, and the tiered structure of the credit union system increases the likelihood that losses at corporate credit unions may flow to natural person credit unions, if corporate credit unions do not hold sufficient capital. Therefore, NCUA should move in an

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[17] http://www.membersunited.org/CFOletter_030309.html and http://www.corporateone.coop/www/NewsAnnounce.asp?id=1117&lid=117

expeditious fashion to strengthen the capital regulation and risk management practices of corporate credit unions.

Sincerely

Keith Leggett
Senior Economist

Attachment 1 Corporate Credit Unions with Expanded Authority under Part 704, Appendix B

Central Corporate CU
Constitution Corporate FCU
Corporate America CU
Corporate Central CU
Corporate One FCU
Eastern Corporate CU
First Carolina Corporate CU
Georgia Central CU
Mid-Atlantic Corporate FCU
Members United Corporate FCU
Southeast Corporate FCU
Southwest Corporate FCU
SunCorp CU
U.S. Central FCU
Volunteer Corporate CU
Western Corporate FCU