ARSENAL
CREDIT UNION

April 3, 2009

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

Dear Ms. Rupp:

Arsenal Credit Union is pleased to have the opportunity to comment on the Advance Notice of Proposed Rulemaking (ANPR) to 12 CFR Part 704, regarding Corporate Credit Unions.

Our comments below are listed by topic in the same order as the NCUA ANPR.

1. THE ROLE OF CORPORATES IN THE CREDIT UNION SYSTEM

   Payment Systems
   Our Corporate has always provided us with affordable products and services which allow us to compete with the larger financial institutions in our market. We do not see a need to separate payment services and investments. It is my understanding that income is generated from the investment side of the current Corporate business model rather than from payment services. Should these deposit and investment services become separate from payment services, the result could be higher end-user fees and costs that would force us to take our business elsewhere.

   Though there are others in the market that could provide these services, we prefer partnerships within the credit union movement, who understand the unique nature of credit unions. We should not be forced into seeking or relying on the services from the banking industry who desire to put us out of business, much less provide them with income to assist in their efforts. The other concern is not having an ample voice to protect the best interests of our members. Credit unions, even collectively, would represent a very small book of business.

   Liquidity and Liquidity Management
   Providing liquidity is a core service of the Corporates. If this service was eliminated, credit unions would be forced to obtain lines of credit from other sources having excessive collateralization requirements and may be even more difficult to obtain in today's economic climate. Again, we would in turn supply the banking industry with billions of dollars in liquid funds. Our credit union does borrow from the Federal Home Loan Bank when the cost of doing so is lower than what our Corporate offers. But removing a primary, alternative or additional liquidity resource to diversify credit union borrowings is not in our best interest.

Field of Membership
We do not support field of membership restrictions on Corporates or reducing the number of them arbitrarily. A national field of membership assists in mitigating concentration risk and prevents a monopoly situation. In our estimation, a local Corporate is better able to provide highly personal service and attention than a regional or national Corporate would but credit unions should be allowed a choice as to which Corporate(s) they partner with.

Expanded Investment Authority
We believe the need for expanded investment authority for Corporates continues to exist and Corporates need expanded authority beyond natural person credit unions in order to generate a sufficient return and spread.

Corporate investment managers should possess the highest credentials and examiners should review the investment management capabilities and sophistication levels at Corporates. NCUA should be more proactive in the oversight of the investment practices of corporate credit unions and it is imperative that examiners have advanced knowledge of investments.

2. CORPORATE CAPITAL

Risk Based Capital and Contributed Requirements
We believe that our capital requirements are behind the times and need modernizing. A risk based capital system for Corporates should be implemented in conformity with other federally regulated institutions. This would discourage higher risk activities and place higher capital expectations on Corporates that wish to take on elevated risk.

Permissible Investments
A well managed investment portfolio should be diversified to avoid concentration risk but there should probably be severe limits on derivatives and other high risk investments. Higher capital levels should be required for Corporates that take on additional risk.

Credit Risk Management
We support the development of a definition of a complex investment portfolio as some have suggested. A Corporate with a complex portfolio would be required to have an independent review performed by a qualified third party. Minimum standards for the third party review should also be developed.

Even though the NRSROs ratings have become questionable, there are currently no other options available. We believe that NRSRO's should be regulated closely and have the same standards as other financial institutions. Until that happens, Corporates should obtain more than one rating.

Corporate Governance
Boards should not be appointed but rather elected by the membership in keeping with credit union cooperative principals. Directors need the appropriate skills and expertise and should have ongoing training requirements that increase with the sophistication of the Corporate activities.

Outside directors should not be required as boards currently have the authority to hire and retain outside experts and consultants for strategic purposes.

Lastly, capital formation and retention is a huge concern and needs to be addressed. Both Corporates and natural person credit unions need a mechanism for raising capital other than through retained earnings. With decreasing net interest margins, funding capital solely through net income puts credit unions at a huge competitive disadvantage and the NCUSIF at higher risk.

Lastly, we urge NCUA not to liquidate the US Central and Wescorp investment securities, but to manage and minimize losses to all of us. Setting up a good bank/bad bank structure to market securities will only throw away our members hard-earned capital. This point is paramount.

Sincerely,

Linda G Allen

Linda G. Allen, CCUE
President & CEO
Arsenal Credit Union