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Member One FEDERAL CREDIT UNION

PO BOX 12288
ROANOKE, VA 24024

P. (800) 666-8811

April 1, 2009

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

Re: Comments related to the Advance Notice of Proposed Rulemaking

Dear Secretary Rupp:

Member One Federal Credit Union appreciates the opportunity to comment on the Advanced Notice of Proposed Rulemaking for Corporate Credit Unions. Member One FCU is a natural person credit union headquartered in Roanoke, Virginia serving over 53,000 members. As a concerned member of the credit union industry we feel compelled to address the issues at hand. Accordingly, we have attempted to address each item listed in the ANPR:

1. The Role of Corporates in the Credit Union System

   a. Payment System
   Payment system services are an important service that corporate credit unions provide to their natural person credit union members. We are not in favor of isolating these services from other services provided by corporate credit unions. Under most circumstances the risk of providing such services is minimal. Accordingly, the income to corporate credit unions for providing payment system services alone is unlikely to be sufficient to sustain their operations without substantial fee increases to natural person credit unions. Furthermore, by delineating services under separate charters (or otherwise) natural person credit unions will be forced to find multiple providers for services that they are currently able to get from one provider. At the very least, a delineation of services is likely to result in inefficiencies and higher costs to natural person credit unions.

   b. Liquidity and liquidity management
   Liquidity management and facilitation is, and should remain, a core service of the corporate credit union system. Many natural person credit unions rely heavily on the corporate system to manage and facilitate their liquidity needs. Because liquidity management is largely a function of investment management it may be prudent to restrict corporate credit unions' ability to invest in products with durations and cash flows that are not consistent with meeting its core service as a liquidity facilitator.

   c. Field of Membership issues
   The agency should not return corporate credit unions to defined fields of membership. While the national field of membership may have resulted in increased competition and risk-taking, this competition has also resulted in better rates and expanded services for natural person credit unions. The issue of increased risk-taking lies not with limiting options for natural person credit unions, but with requiring adequate levels of capital to support the increased risk.

   d. Expanded Investment Authority
   Expanded investment authority is essential for corporate credit unions to be able to offer competitive rates and a measure of diversification to their natural person credit union members. If corporate credit unions were limited to the same investment authority as their natural person members the entire credit union system would likely suffer from the resulting concentration of risk. Following that argument, it may be beneficial to actually broaden the investment options of corporate credit unions. Regardless of whether investment authority is

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expanded or not, capital requirements should be aligned with the degree of risk taken. Therefore, it follows that corporate credit unions that accept expanded investment authority would be required to maintain capital levels that reflect the increased risk assumed.

e. Structure: two-tiered system
The present two-tiered corporate credit union system provides economies-of-scale for many retail corporate credit unions. The resulting savings and efficiencies are (in turn) passed to natural person credit unions. For this reason the present system is desirable. The two-tiered system does create a situation in which risk is concentrated in the wholesale corporate unit. This increased risk is best addressed by requiring capital levels sufficient to mitigate the risks incurred.

2. Corporate Capital

a. Core Capital
Under the current economic environment, and in light of recent events, it is certainly reasonable and prudent to examine all aspects of corporate capital. Furthermore, it is reasonable to require increased levels of core capital. Given the current earnings environment, corporate credit unions should be allowed a period of several years to reach whatever new levels of core capital are deemed appropriate.

b. Membership Capital
Natural person credit unions should be required to maintain membership capital with a corporate credit union in order to obtain services. This capital serves to align the interests of both the corporate credit union and the natural person credit union towards a common purpose. Adjusting Membership Capital annually by means of the total assets of the member credit union appears to be the most logical approach.

c. Risk-based capital & contributed capital requirements
Risk based capital standards should be consistent with those of other financial institutions. Allowances should be made for the accounting differences that exist between credit unions and banks.

3. Permissible Investments
The NCUA should not limit the investment authorities of corporate credit unions to that of natural person credit unions. To do so would essentially eliminate many of the benefits of corporate membership and place corporate credit unions at a competitive disadvantage to the marketplace. Moreover, as mentioned above, such a limitation would serve to create an unnecessary concentration of risk in the credit union system. Again, the risk associated with certain investments is best mitigated by requiring increased levels of capital, not restricting alternatives.

4. Credit Risk Management
Corporate credit unions with expanded investment authority should be required to maintain professional management staff capable of independently verifying the accuracy of any credit rating provided by a Nationally Recognized Statistical Rating Organization. This would serve to lessen the reliance upon these NRSRO credit ratings and serve as a reasonability check. Absent this, it would seem reasonable to require more than one credit rating for a given investment. However this may be redundant if corporate credit unions rely solely upon the NRSRO. Independent credit risk analysis could also be outsourced to a third party vendor provided such a vendor has a proven track record of competence in this field

5. Asset-Liability Management{ALM}
Corporate credit unions should be required to use monitoring tools such as modeling and stress testing to identify trends and potential risks. By analyzing multiple "what-if" scenarios corporate credit unions can prepare strategies to meet potential challenges.

6. Corporate Governance
   All issues of corporate governance are best left in the hands of the corporate membership and their respective owners. Increased rules and regulations in this arena for banks and other Sarbanes-Oxley compliant entities have not proven to have enhanced the overall safety and soundness of those entities.
   Rather, it is likely that increased rules and regulations would burden the corporate governance structure and undermine the democratic notion that the members are entitled to determine how and by whom they will be represented.

Once again, Member One FCU appreciates the opportunity to comment on these issues. As concerned citizens of the credit union system, we look forward to resolving these issues and doing our part to ensure that the credit union system is as strong and stable as ever.

Sincerely,

Frank G. Carter
President/CEO
Member One Federal Credit Union

Cc:
The Honorable Michael E. Fryzel
The Honorable Rodney E. Hood
The Honorable Gigi Hyland