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April 3, 2009

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

Comments on Advance Notice of Proposed Rulemaking for Part 704

Submitted by:
Pamela P. Heald, President & CEO
Reliant Community Federal Credit Union
Sodus, New York
Asset Size: 280 Million

A handwritten signature in black ink that reads 'Pamela P. Heald'.

Services Utilized today:

Today we rely on our corporate credit union relationship for the following services: maintaining our transaction/pass through account, ACH processing, international wire transfers, line of credit, and education/training.

We also utilize a corporate credit union CUSO that provides assistance, expertise, oversight and safekeeping of our investment portfolio.

Role of Corporate Credit Unions in the Credit Union System:

As a Natural Person credit union we do not have direct interaction with US Central, and therefore are not able to assess the impact a single-tier structure would have on the corporate system.

Payment System:

We feel strongly that there is a need for a corporate credit union to provide payment system services. Today we utilize the corporate system as well as work directly with the Fed. We believe smaller credit unions would absolutely need either a corporate or a CUSO to aid in their processing. This would be preferred over a direct banking relationship. The corporate credit union must have the necessary liquidity to clear items processed. We do not feel that investments which place liquidity at risk should be acceptable.

Payment systems need to be an affordable entity or line of business. It is not advisable to design a system that can't support itself. The new or revised system must be a viable long term solution. It is acceptable to blend payment systems with other functions as long as corporate credit unions' other activities do not create liquidity risk for payment processing.

Liquidity and Liquidity Management: We believe that providing liquidity for the credit union system should be a core objective for a corporate credit union.

Field of Membership Issues: We would prefer a corporate credit union that is able to serve all of our needs, i.e., to be able to go to one provider for our services. However, to meet our service needs, we would not want to be restricted to only one service provider, but it is acceptable to us to have a smaller number to choose from. There are times when doing business with more than one corporate is beneficial to our credit union (vs. having a corporate and a bank). For example, having access to multiple corporate credit unions provides opportunity for corporates to specialize in particular functions, and provides credit unions access to those specialties based on their needs. Multiple access also provides stronger risk management for natural person credit unions. By not having "all our eggs in one basket", it allows us to spread our risk; and, in the event of a disaster or failure of a corporate, it provides alternative processing options.

Capital: The capital requirements for a corporate credit union should be higher than today. Guidelines utilized for natural person credit unions should be sufficient. Capital requirements should be commensurate with the permissible investments (risk) established.

If member capital is needed, it should be shared equally by members.

When designing the new structure, it is important to note that credit unions are in question over continued/future capital investments, as some credit unions have lost member capital more than once, on top of an NCUSIF assessment. If capital is at risk, and the new system can't address this, some credit unions may be forced to go outside of a cooperative environment for services typically offered by a corporate credit union.

Permissible Investments: NCUA should absolutely limit the types of investments any corporate credit union may make. Exotic, derivative, and high risk investments should not be allowed. The money corporate credit unions are investing is our credit union members' money. We would recommend that the same philosophy should be used as the NCUSIF utilizes today.

Credit Risk Management: Going forward, better oversight of rating agencies is necessary. For objectivity purposes, rating agencies must be at arm's length, and therefore should not be paid by the companies they are rating. It is also important to utilize multiple rating agencies. The rating agencies selected for use should withstand rigorous due diligence testing on a regular and period basis.

Asset Liability Management: Yes, we feel strongly that modeling must be required. We also feel strongly that a 3rd party must be involved to validate the model findings. Both risk and stress testing must be performed, reviewed, and monitored.

Corporate Governance: If corporate credit unions are to remain a part of the credit union movement, compensation for directors is not recommended. A system of volunteers from within the system is preferred so that it models the cooperative/volunteer structure of natural person credit unions. Committee involvement and internal management can provide a vehicle to allow for external expertise.