April 3, 2009

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

Sent Via email to : regcomments@ncua.gov

RE: Comments on Advanced Notice of Proposed Rule Making (ANPR) for Part 704, Corporate Credit Union System

Dear Ms. Rupp:

In Letter to Credit Unions 09-CU-02, the National Credit Union Administration (NCUA) solicited comments on their potential restructuring strategy for the Corporate Credit Union System via ANPR for Part 704. Members Credit Union respectfully submits the following comments:

Payment System Proposals

Should payment systems be isolated from other services to separate risks?

No. Payment systems are a core product offering of the Corporates and have been very well managed by the Corporates and have been delivered to Natural Person Credit Unions (NPCU) at a very competitive price in a way that keeps NPCU back office staff to a minimum. Not allowing Corporates the ability to invest these funds as a part of the liquidity management of these funds would dramatically increase the price to NPCU for these services. A credit union centric solution is very desirable for NPCU. Other business models exist that currently provide only payment systems and they do not align themselves with our industry. They require more cash management staff than NPCU currently have or can afford. This would be a great financial burden on small to medium sized NPCU.

Liquidity & Liquidity Management

Should liquidity management be a core service of Corporates? If so, what steps should be taken and by whom, to preserve and strengthen Corporates' ability to offer this service?

Liquidity management is and should continue to be a core service offered by Corporates to NPCU. NCUA should not limit a Corporates' ability to offer specific types of products or services other than by maintaining a current market sensitive list of allowable investments and a requirement that Corporates and Regulators have certifiable expertise in managing, evaluating and regulating these allowable investments. The NCUA should take all action required to allow Corporates access to the CLF which will give Corporates an extremely important tool to help manage liquidity for themselves and their NPCU membership.

National Field of Membership

Should the NCUA narrow the field of membership for Corporates?

National fields of membership have had unforeseen consequences, when looked at with the benefit of 20/20 hindsight. Some Corporates have used this as a way to attract NPCU business from outside of their original marketplace without requiring these “out of market” NPCU to meet the same capital requirements as their “core members” had to meet. This issue needs to be addressed in either limiting fields of membership or requiring equal capital requirements for all Corporate membership by NPCU.

Expanded Investment Authority

Should Expanded Investment Authority be continued?

Expanded investment authority should only be continued if done so using a risk based capital system that requires Corporates to maintain a greater amount of capital for any investments purchased under this authority. If a risk based capital requirement for these investments is not put in place, then this expanded authority should be removed and all investments would be set forth in the list referred to in our answer to Liquidity above.

Structure: Two-tiered System

Does the current two-tiered system meet the needs of NPCU? Is there a need to continue a wholesale corporate credit union?

When looked at as a centralized liquidity repository, there is value in a two-tiered system with a wholesale corporate at the top of the system. The wholesale credit union should not take any actions that would require additional capital in the Corporate system. It should serve its customers with centralized products and services that provide economies of scale cost benefits and should avoid duplications of systems to make the entire two-tiered system as efficient and effective as possible.

Corporate Capital

The NCUA requested comments on changes to Corporate Capital requirements.

The NCUA should move to a risk-based capital system for Corporates that is consistent with those currently used by other financial regulators. Given the current level of losses that NPCU will be required to record as the result of the current Corporate stabilization actions taken by the NCUA, any approved changes to capital should allow a period of time to transition to meeting these requirements. NPCU and Corporates will need time to absorb these losses and replenish the Corporate system with capital.

Permissible Investments

Should Corporates be limited to the same investments as those that are available to NPCU?

Corporates serve a different function than do NPCU and therefore need broader investment powers and options than do NPCU. See Liquidity comments above for investments allowed by Corporates.

Credit Risk

Should the NCUA limit the extent to which Corporates may rely on credit ratings provided by Nationally Recognized Statistical Rating Organizations (NRSROs)?

The NCUA should require Corporates to obtain more than one rating for investments and both ratings should meet established regulatory guidelines. Additional requirements that avoid concentrations of credit risk should also be implemented as a part of pre-purchase analysis.

Asset Liability Management

Should the NCUA reinstate the requirement for net interest income modeling and testing of credit spread increases?

Yes...these should be required, however assumptions required in these modeling scenarios need to be realistic as do tolerance levels set for compliance.

Corporate Governance

The NCUA requested comments on minimum qualifications for Board members, training, term limits and director compensation.

The Boards themselves should set minimum qualification, experience,training standards and term limits and document them in a formal policy of the Board. ALCO Committees should consider membership that is a combination of Board Members and non-director members to make sure the committee has the expertise needed to fulfill the duties of the committee. Compensation for Board Membership is not something that should be considered.

Thank you for the opportunity to comment on the ANPR.

Sincerely,

Bob Donley
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