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April 6, 2009

The Honorable Michael E. Fryzel
Chairman
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

The Honorable Rodney E. Hood
Vice Chairman
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

The Honorable Gigi Hyland
Board Member
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Dear Members of the Board:

The Credit Union Association of Colorado and the Credit Union Association of Wyoming ("the Associations") appreciate the opportunity to jointly comment on the National Credit Union Administration's ("NCUA's") Advanced Notice of Proposed Rulemaking ("ANPR") regarding corporate credit unions. The Associations are state trade associations representing more than 120 federally and state-chartered credit unions across Colorado and Wyoming.

Before addressing the specific questions posed by the ANPR, the Associations believe it is critical for the NCUA to carefully consider two facts. First, neither the corporate credit unions ("Corporates") nor the natural person credit unions ("NPCUs") were responsible for the current economic crisis. The current issues related to the Corporates are not a result of problems at the NPCU level. NPCUs have conducted business with their members responsibly and within the framework of already-existing comprehensive regulations, and as a general rule are relatively stable. More particularly, credit unions have not engaged in subprime and predatory lending practices that are significant causes of this crisis.

The problems the Corporates are experiencing did not spring up from the NPCUs that Corporates serve, but rather flowed down from the broader markets in which they invest.

Second, though additional regulation of Corporates will not solve the present crisis, nor would it likely have prevented it, the Associations understand that some regulatory changes are necessary in the face of some of the issues brought to light by this crisis. The Corporates play an important role in the day-to-day operations of NPCUs, however, and the continued availability of all of the products and services provided by Corporates under a not-for-profit cooperative business model is critical to the future success of NPCUs. Additional regulation that goes too far in limiting the risks to Corporates can adversely impact the competitive competencies of Corporates leaving NPCUs to rely on their banking competitors for necessary services.

For these reasons, the Associations strongly urge the NCUA to carefully balance the interests of the NCUA and the NPCUs served by Corporates, in order to preserve the benefits of the corporate system to NPCUs and their members. The end result of overly restrictive and burdensome regulation would be the loss of the significant financial benefit realized by members who utilize not-for-profit cooperatives for their financial services.

Corporate Credit Union Services

1. **Payment Processing and Settlement Services**. Payment processing and settlement services provided by Corporates are a core function vital to the operations of NPCUs and should not be isolated from other liquidity and investment services. Separating these services from others would result in a loss of valuable efficiencies and economies of scale, and would place NPCUs at a severe disadvantage in individually negotiating settlement services. The risks can be adequately mitigated through implementations of appropriate risk-management techniques.

2. **Liquidity Management and Investment Services**. Liquidity management and investment services are also a core function provided to NPCUs, and is closely tied to payment processing and settlement services. As with payment processing and settlement services, the risk can be adequately managed using appropriate tools including appropriate investment authority. The NCUA should ensure that Corporates have the necessary investment authority to adequately manage and mitigate concentration, credit and liquidity risks for short-term (up to one year) investments necessary to provide adequate liquidity management services to NPCUs.

The Two-Tiered Corporate System

The Associations believe a two-tiered Corporate system is no longer appropriate. In order to gain efficiencies and economies of scale for the core services of payment processing and settlement, there should be fewer Corporates. It is critical, however, that there be a Corporate system that fosters competition and innovation. As part of this, the NCUA should permit national fields of membership for Corporates. Such a policy will foster healthy competition among Corporates while also allowing an NPCU to choose the Corporate that best meets its operational needs.

Corporate Credit Union Capital

The Associations understand the differing views among NPCUs with respect to the sufficiency of Corporates' capital. The NCUA must implement a Corporate capital structure that does not limit the Corporates' relevance to NPCU's, but that provides an acceptable level of protection in light of the business risks incurred by each individual corporate.

Governance

1. **"Outside Directors."** The NCUA should permit, though not require, a limited number members of each Corporates' boards of directors to be other than from member credit unions. Such a rule would bring even greater breadth and depth of knowledge and expertise to Corporate operations. The NCUA should also permit reasonable compensation for directors that would allow Corporates to attract and retain highly qualified directors.

2. **Qualifications and Term Limits.** The NCUA should not require minimum qualifications for, or place term limits on, Corporate directors. These decisions should be left to the Corporates' boards of directors and the NPCUs that use the Corporates' services.

3. **Executive Compensation.** The NCUA has asked whether greater transparency should be required for executive compensation. The Associations strongly believe this is unnecessary. First, the amount of compensation received by Corporates' executives was not a cause of the present crisis. Second, **the** Associations are not aware of any requests from NPCU's, those served by the Corporates, for greater transparency of executive compensation. Finally, the Associations do not believe that

the NCUA has offered, nor that there are any, sound public policy concerns for such disclosures.