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NW WEST
FEDERAL CREDIT UNION

April 6, 2009

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

RE: Comments on Advanced Notice of Proposed Rulemaking for Part 704

Dear Mrs. Rupp and Members of the NCUA Board:

We are writing on behalf of Northwest Federal Credit Union which is headquartered in Herndon, Virginia. Northwest Federal Credit Union was founded in 1948 and today is a $1.7 billion credit union serving over 98,000 members and is very financially sound.

Northwest Federal Credit Union appreciates this opportunity to comment on the Advance Notice of Rulemaking and request for comment on Corporate Credit Unions. Corporate Credit Unions have clearly played an important role for Credit Unions throughout the years; however, the time has come to reevaluate the corporate system and make necessary changes. There seems to be too many corporates today and consolidation should occur. We believe that corporates should be regionalized similar to the Federal Home Loan Banks.

We appreciate NCUA's consideration for change, especially in light of the current situation at hand and the overall economic environment we find ourselves in. We offer the following comments regarding the specifics of the proposal for your consideration.

1. **The Role of Corporates in the Credit Union System**

a) **Payment Systems**

The corporate credit union network's role in the payment system arena was more important years ago than it is today. It is probably the right time for the payment system to be isolated from other services. Corporates have not always been able to keep up with the ever changing technology or the fast paced environment. Larger credit unions deal directly with the Federal Reserve and use other payment services through various vendors. In the future, payment system services may be cost prohibitive or not cost beneficial for the corporates. If it is determined that this is still needed in a corporate credit union system, all corporates should consider combining for a national payment system or should choose to ban with another large national payment organization for maximum efficiency and cost benefits.

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b) Liquidity and Liquidity Management

Liquidity management should definitely be the core service that corporates offer. Credit Unions need the corporate as an option for liquidity instead of using the Federal Reserve and banks. To effectively manage liquidity, better modeling and reporting is needed and should be required. Access to the Central Liquidity Facility (CLF) needs to be available for corporate credit unions even in light of the recent SIP program success. NCUA should continue to pursue legislative actions to ensure the CLF is available for the corporate credit union network.

c) Field of Membership Issues

Today, allowing national field of memberships created competition amongst corporates that definitely lent to the problems of today. We believe that corporates should be restructured by region and it should be regionalized similar to that of the Federal Home Loan Banks. This restructuring would and should eliminate the number of corporates. In going to this regional structure, NCUA would have to determine the best way of either merging corporates together or eliminating the weaker corporates of today. This regional structure does take away the choices of a corporate for natural person credit unions but we don't view that as a negative. If a credit union doesn't want to belong to their regional corporate, they wouldn't have to join. Many natural person credit unions don't belong to a corporate today.

d) Expanded Investment Authority

Corporates should be allowed to continue to have expanded investment authority. Corporates that are allowed to have expanded investment authority should employ qualified and experienced staff, have higher capital levels, ensure adequate controls are in place and use the proper tools for modeling and monitoring. Once a corporate has been granted expanded investment authority there definitely needs to be periodic requalification on at least an annual basis. NCUA should look at revising corporate regulations for better overall risk mitigation.

e) Structure: two-tiered system

The two-tiered system should be phased out as there doesn't appear to be a need for a wholesale corporate. The current system did not reduce or eliminate risks from the corporates or ultimately natural person credit unions. The phase out could occur over a three to seven year time frame depending on the overall economic environment.

2. Corporate Capital

There should be a core capital ratio requirement set at a minimum of 4% using a risk based formula. Natural person credit unions should be required to maintain some form of membership capital account in order to be a member and use the services. However membership capital may be ultimately defined, it should be modified to meet tier-two capital standards. NCUA should consider and implement risk-based capital standards similar to other federally regulated financial institutions.

3. Permissible Investments

Corporates should have different investment authorities than those of natural person credit unions. Corporates should have adequate capital to take on additional risks, employ well trained and qualified investment professionals and perform proper analysis and risk assessment of each investment. If risk-based capital standards were implemented, corporates' capital levels would then match with appropriate investment risk levels.

4. Credit Risk Management

It should be required that more than one rating on an investment be received. The lowest rating should be used and required to meet the minimum rating requirements set forth. Using multiple ratings should prove beneficial as no model is perfect. Corporates should employ staff with credit experience to review ratings, examine the investments and use investment stress testing software.

5. Asset Liability Management

Corporate credit unions should definitely be required to perform net interest income modeling and stress testing. It seems irresponsible and short sighted that this requirement was withdrawn. Corporates should have an independent third party review/validation of their risks and ALM modeling and reporting just as many natural person credit unions do today.

6. Corporate Governance

NCUA should consider setting minimum standards for corporate directors that include appropriate levels of experience and independence. It would be appropriate to examine term limits and set staggering term limits upon implementation. Allowing outside directors would be appropriate if they brought some level of expertise missing from the board as long as credit union insiders controlled the majority of board seats.

Thank you for this opportunity to comment on the proposed rule and we look forward to feedback from NCUA regarding the comments received and the plans for changes of the corporate credit union network.

Sincerely,

Gerrianne D Burks

Gerrianne D. Burks
President/CEO

Belinda Burke

Belinda Burke
Senior Vice President/CFO

CC: Mr. Dan Mica, President – CUNA
Mr. Fred Becker, President - NAFCU