Coast Central Credit Union

April 3, 2009

1809

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

RE: Comments on the Corporate Credit Union System Strategy

Dear Ms. Rupp:

As a credit union executive, I appreciate the opportunity to comment on the NCUA Board's recent actions designed to stabilize the corporate credit union system. By way of background, Coast Central Credit Union has assets of $780 million and is located in Eureka, California with over 52,000 members.

I have concerns that the Board's actions, as crafted and implemented to date, does not fully take into account the serious repercussions to the natural person credit union system and, as a result, to credit union members. This concern has been further sharpened by NCUA's unexpected actions on March 20, 2009, involving U.S. Central FCU and Western Corporate FCU (WesCorp), which will have a negative impact on our credit union. This recent actions brings up fears that past mistakes will be repeated as evidenced by the handling of Cap Corp. Further, I believe the use of and reliance on Pacific Investment Management Company (PIMCO) and its analysis of the residential mortgage backed securities (RMBS) held by corporates, and the apparent conflict of interest between PIMCO's role as analyst and their publicly stated intention to purchase legacy/toxic assets is troubling. As a member owner of Wescorp, we deserve very detailed information on the assumptions, methodology, and results of the PIMCO study in order to better understand the calculation of the cost estimates, and to determine whether the agency's cost estimates of the losses for the corporates are reasonable and justified. Up until today, NCUA has provided credit unions little information about the PIMCO report. Without this information and transparency, corporate liquidity will be negatively impacted from the unknowns. Today, I welcome the announcement that the agency will be releasing information on these distress securities.

I agree with the California and Nevada Credit Union Leagues that the current strategy is too narrowly focused in its approach and that it fails to take advantage of several other options and tools available to the Agency that could reduce the costs and impact of the program to credit unions. Our fear is that unless alternative methods and tools are used to soften the staggering financial blow of NCUA's actions, some credit unions may never fully recover from its impact. As a result, I believe there is a real risk that public confidence in credit unions and in the NCUSIF will be negatively affected. However, I am encouraged and cautiously optimistic that the Board's action on March 26, 2009, to ask Congress to form a Corporate Credit Union Stabilization Fund takes an important step towards addressing this concern. By spreading the

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cost of the stabilization action over as much as seven years, federally-insured credit unions are given the breathing room and flexibility they desperately need. I support that action.

I support the current role corporate credit unions play in the credit union system, including their charters, powers, investment authority, capital requirements, fields of membership, risk management, and governance. I do not believe that the current corporate system is flawed to the extent that it requires a complete retooling. I fully acknowledge the serious stress that has been placed on the corporate system due to a variety of factors—some possibly foreseeable and preventable, some not—I do not agree that the current situation warrants what would amount to a wholesale remaking of corporates as they are known and used today.

However, there is room for improvement. The corporate system would benefit from some consolidation to the system, and that NCUA should be supportive of such consolidation by removing unreasonable impediments and/or resistance to corporate credit union mergers.

Recent events indicate that corporates require a larger capital cushion, a greater diversification of investment to include more restrictions on concentration risk, and more—or at least better—risk management tools. In addition, NCUA might consider the creation of a separate insurance fund for corporate credit unions to provide an even more robust "firewall" between corporate credit union risk and natural person credit union safety. Ultimately, 90 million credit union members rely on the corporate system to provide trading, payments, clearing, and settlement services for their local credit unions. NCUA's aim should be to assure that the credit union system as a whole is better able to withstand future shocks.

To summarize, I believe that while the corporate system is in need of some key adjustments, it is not broken. Going forward, credit unions need to be reassured that NCUA will maintain an ongoing evaluation as to the possible need to the corporate deposit guarantee past 2010.

In closing, I thank the NCUA Board for the opportunity to provide these concerns on the Agency's unprecedented action. The Board needs to strike an effective and fair balance between the current needs of the corporate system and the very real, long-term, substantial needs of the entire credit union movement, and to strive for cooperation and transparency with credit unions in the process. To not do so will ultimately hurt public confidence in credit unions and the NCUA, and this will be financially detrimental to American consumers.

Sincerely,

James T. Sessa
SVP Administration/Chief Financial Officer

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