TIC FEDERAL CREDIT UNION
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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 Chairman Fryzel, Vice Chairman Hood and Board Member Hyland:

We appreciate the opportunity to remark on the request for the Corporate Credit Union Network and its structure through NCUA's advance notice of proposed rulemaking.

The actions taken by NCUA in relating to the events of some within the Corporate Credit Union Network is fully supported by TIC Federal Credit Union. Listed below are our comments on the issues for deliberation:

Payment Systems

Separation of payments from the other services that corporates provide would create insurmountable inefficiencies. To maintain the primary financial institution (PFI) relationship with credit unions, corporates must be able to offer a full line of account support services, including settlement, payment and correspondent services, investing and lending options.

We support a payments CUSO model wherein additional efficiencies might be achieved (or replaced, in the event that U.S. Central's status as a full-service financial institution is diminished); however, it is critical that corporates own and set the direction for such a CUSO while maintaining contracts for the services provided directly with credit unions. It is feasible

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that this approach could be facilitated by a future version of U.S. Central, where the ownership structure is already in place.

Liquidity and Liquidity Management

The member credit union "marketplace" should determine what products and services are offered. It is the responsibility of the corporate and its regulatory agency to determine a safe and sound means, including appropriate capital requirements, to offer the products and services its members need, recognizing that at times the implementation of risk-mitigation strategy may cause an offering to be unprofitable or too expensive for credit unions to deploy.

Field of Membership Issues

It is important that a future structure eliminates or greatly reduces competition between corporates. Competition is nearly always a productive force; however, the value of mass cooperation among corporates will produce much greater value to credit unions than mass competition has been able to achieve. The level of competition from numerous non-corporate providers is sufficient to ensure ongoing innovation, service and competitive pricing.

Expanded Investment Authority

Today, the NCUA grants specific authorities and sets limits based on a corporate's capital, risk profile and expertise. Access to expanded authorities requires significant investment in staff, systems and process development.

The need for expanded authorities continues to exist and should not be curtailed. Each type of investment activity engaged in under the expanded authority umbrella presents risk, which can be mitigated through appropriate capitalization and other strategies.

The NCUA should continue to use the examination process as its means for assessing whether a corporate is fulfilling all the requirements necessary to hold previously granted expanded authorities.

Structure: two-tiered system

This business model that has functioned effectively for many years and returned a great deal of value to natural person credit unions that may not have the personnel, expertise or investment authority to take on risk individually. This business model could continue to bring value as long as it is properly capitalized. More capital should be required if the business model remains unchanged; there should be greater flexibility in risk measurement criteria, such that if the business model of U.S. Central were changed to that of a payments/settlement CUSO, less capital would be needed.

Corporate Capital

A two-tiered approach to capitalizing corporate credit unions should be employed. First, an asset-based perpetual PIC investment will create a stable foundation – meaning that the combination of retained earnings and perpetual PIC would be sufficient to meet a 4% Tier 1 ratio requirement; second, a patronage-based capital account will allow the level of capital to ebb and flow in tandem with the risk the corporate is taking on behalf of each individual member credit union at any given point in time.

A segment of membership capital should be calculated as a function of share balances, while asset size is a more appropriate basis for "contributed capital" – which should be a requirement for membership and the use of any corporate services. Contributed capital should be required to be collected in such an amount as to move the corporate's core capital ratio (or a new, Tier 1 capital ratio) to at least 4% (when combined with retained earnings).

Permissible Investments

It would be appropriate to develop a mechanism for making ongoing determinations of what should be prohibited, as the market and investment vehicles evolve. Certain characteristics should be identified as being inappropriate for corporate investing.

Concentration in a limited number of investment types has played a large role in the current crisis and should be mitigated through concentration limits.

Credit Risk Management

Additional stress modeling tools and limits would be appropriate. For example, stress tests on the structure of the deals and the use of stress modeling tools for pre-purchase analysis would provide value. Periodic third party valuation of collateral performance is also warranted.

Asset Liability Management

Stress testing and income simulations are occurring at corporates today; additional monitoring as part of the examination process may be needed.

Corporate Governance

> The present structure of the retail and wholesale corporate credit unions' boards is appropriate because it ensures that the individuals making decisions have a vested interest in common with the parties they represent.

TIC greatly appreciates our membership with Georgia Central Credit Union and the job they do for our members. They play an important role in providing services that credit unions need to be competitive in today's marketplace. Without corporate credit unions, many credit unions would not be able to provide some of the services they currently offer to their membership.

Thank you for allowing us to comment on the proposed rulemaking by NCUA on whether to amend its regulations governing corporate credit unions. We trust our comments will be beneficial.

Sincerely,

Janet W. Davis

Janet W. Davis
President/CEO, TIC Federal Credit Union

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