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April 6, 2009

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

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

Dear Ms. Rupp:

Thank you for the opportunity to provide my perspective and comments regarding NCUA's Advanced Notice of Proposed Rulemaking concerning the role of the corporate credit union system. On behalf of Garden Savings Federal Credit Union I would like to inform you that we currently use Members United and Mid-Atlantic for a variety of services including: a source of liquidity, electronic check imaging, check clearing, investment origination and safekeeping, as well as education.

We value the service provided by the Corporate System and believe that there is a place for them to continue to provide these services into the future. That said, we believe that the current system is inefficient and subject to additional risk that could be mitigated in a revised structure. While we are not in a position to comment on all of the aspects discussed in the ANPR, we will give you our comments on those we are most familiar with:

- We suggest that the two tiered corporate system is unnecessary and inefficient. We recommend that the system be flattened to one tier, that US Central be absorbed by the remaining corporates and that the corporate network have direct access to the Treasury for liquidity purposes.
- We believe that there are too many corporates in the network. While we are firm believers in competition and capital markets, we do not think that the level of competition in the corporate system is beneficial to the members. We would much prefer to see a smaller structure that is regionalized, say 8 or 9 corporates spread throughout the country.
- We recommend that a natural person credit union (NPCU) be required to provide capital to the corporate credit union (CCU) in order to be able to use their services. This capital should be based on the level of balances that the NPCU maintains with the CCU and should be portable so that a NPCU can move to another CCU in the event they are dissatisfied with the service or pricing they are receiving. We also recommend that, if the corporate system is reduced, existing capital be refunded to the NPCU or transferred to a different CCU so that there is no detrimental impact to the NPCU.
- We do not see any need to deny corporates from offering an array of services to their members. Many NPCU's are small and need to operate in a narrow space in order to survive. Requiring them to use many different vendors for required services could place an undue strain on their ability to function properly. We think that CCU's should be able to offer liquidity, payment services, investment origination and safekeeping, and other services. We also thank that the CCU's required capital should be commensurate with the services offered.

- We think that CCU's must operate at a higher level than NPCU's and therefore suggest they be allowed expanded investment authority. Given the resources available to them, they should have much greater expertise in more complex products than NPCU's. In order to remain competitive they need to be able to achieve greater returns than NPCU's can achieve so that they can offer competitive investment vehicles to us. NCUA, as our regulator, needs to determine that the corporates have the requisite expertise to make these investments, that they are properly modeled and that concentration and credit risks are properly mitigated.
- We recommend that regulations be modified to allow CCU's direct access to the CLF as a liquidity source. The current SIP Program is a convenient way to circumvent the system but we believe direct access would make "liquidity" a non-issue in the current environment.
- We are not in favor of changing the current corporate governance structure and believe that allowing corporate board members to be paid is inconsistent with the nonprofit movement. There is enough expertise within the credit union system to allow for proper governance. We believe that there should be educational and training requirements for all board and committee members.
- Lastly, we are in favor of allowing for additional risk-based capital for CCU's. We are in favor of creating a strategy that would require corporates to attain 6% core capital over the longer term.

As a final comment I must let you know that we are extremely unhappy with the current situation regarding the corporate network and the stabilization plan that has been set in place to rectify the situation. We are not convinced that the current proposed assessment of 99 basis points is appropriate, especially given the fact that so much of that assessment is based on an unknown. How will these investments perform in the future? What if these corporates can hold them to maturity? What happens if the capital markets start freely trading again? What are the impacts of the FASB's recent actions?

It seems to us that NCUA has talked about an assessment that ranges from the $1 billion capital infusion placed in US Central in January, up to $16 billion that was mentioned in a Webcast during February and somehow, somewhat arbitrarily, settled on $5.9 billion today. The numbers seem to change weekly. I implore you to properly manage this situation so that there will be minimal loss to the credit union system.

Sincerely,

Louis J. Vetere
President and Chief Executive Officer