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**To:** \_Regulatory Comments  
**Subject:** ITT Employees' Federal Credit Union – Comments on Advanced Notice of Proposed Rulemaking for Part 704

ITT Employees' Federal Credit Union  
Response to the Corporate Credit Union ANPR

As a \$30 million credit union we use corporate credit unions extensively for payment services and investments. Therefore we would like to see the continuation of the corporate credit union system, albeit with a substantial amount of modification. With this in mind we will comment on issues within the ANPR framework that we feel we are best able to address.

I. The Role of Corporates in the Credit Union System.

It is our opinion that the Corporate Credit Union System must continue to exist to meet the needs of Natural Person Credit Unions in the areas of Payment and Settlement resources along with Investment options. Those of us in mid to small credit unions rely upon Corporates to meet these needs at minimal cost by putting into practice economies of scale. There are other vendors and resources we could utilize to meet these needs but we feel that would come at a greater cost to us and ultimately our members.

The structure of the Corporate System needs substantial change. We would like to see a single tier system comprised of four to seven distinct Corporates. While one Corporate may provide the most efficient model it would also produce the most risk to Natural Person Credit Unions should it falter or fail. Multiple Corporates would spread out that risk. This model would also allow for an added measure of disaster recovery protection should one Corporate fall victim to a natural disaster or other debilitating phenomenon. One way to gain efficiency back is by having national CUSOs that would provide many of the services currently offered by Corporates.

II. Corporate Capital.

We do not support the limitation of services to NPCUs that have Paid In Capital to a particular Corporate Credit Union. We would like to see the continuation of the practice of requiring PIC to one Corporate Credit Union, and that would then allow the NPCU to seek services from any or all other Corporates.

We also would not support the idea of risk based capital levels. We feel that risk perception can too easily be swayed to allow an inadequate amount of capital in any particular institution. We should not forget the vast amounts of investments that were highly rated and therefore perceived as less risky than they actually were.

III. Permissible Investments.

It is our belief that Corporate Credit Unions should have investment authorities no greater than NPCUs. While this may limit income realized from investments it will also provide a necessary framework for the system wide reduction of risk.

V. Asset Liability Management.

We feel that it is in the best interest of the Credit Union industry to require Corporates to use standardized tools to model and monitor such things as interest income, credit spread

trends, and stress testing. The Corporates should then distribute that information to their member NPCUs on a monthly basis.

VII. Other Comments.

We feel it would be prudent to require a resident NCUA Examiner at each Corporate Credit Union. That Examiner should stay resident for a period of 4-6 months and then they would rotate to a different Corporate Credit Union. Although the logistics of finding and moving these individuals would be substantial, this practice would enable constant oversight without the encumbering effects of longterm residency. The examiner would not have enough time to be tempted to allow discrepancies for the sake of "getting along" with the employees and officials of the Corporates. Additionally, we can all attest to the value of a fresh set of eyes when dealing with repetitive data.

We also feel that there needs to be a separate insurance fund for Corporate Credit Unions. NP Credit Unions should continue to use the NCUSIF as is and a distinct, separate fund be established for the Corporate Network.

Corporate Credit Unions also need direct access to the Central Liquidity Fund rather than forcing them to use NP Credit Unions to access this resource.

Please note that it was our intent to not comment on points IV and VI.

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