April 6, 2009

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

RE: Comments on Corporate Credit Union System Strategy & Related ANPR

Dear Ms. Rupp:

Thank you for the opportunity to comment on the NCUA Board's recent actions to stabilize the corporate credit union system. As communicated in NCUA Letters 09-CU-02 and 09-CU-06, the agency's primary objectives are 1) maintaining liquidity; 2) strengthening capital; and 3) evaluating the existing structure of the corporate system through an Advanced Notice of Proposed Rulemaking (ANPR). This comment letter will touch upon each of these important considerations.

Maintaining Liquidity and Strengthening Capital – Under current regulations, natural person credit unions must earn and accumulate net capital over the years through strong performance. No secondary capital options exist for net capital enhancement, and impacts against net capital must be recovered over time. As a result of this situation, safety and soundness considerations warrant an approach that supports net capital preservation and mindfulness of the industry's current inability to access secondary capital.

The NCUA actions of January and March 2009, taken with respect to U.S. Central FCU and Western Corporate (WesCorp) FCU had immediate and significant detrimental impacts to natural person credit union net capital levels. During the best possible economic times, this substantive and immediate erosion of net capital would have necessitated a multi-year recovery plan – while still negatively impacting pricing to members, lending capacity, growth capabilities, liquidity, and funding options to name a few. Absent further action to offset these NCUA actions, natural person credit unions' net capital levels will endure sustained fallout from this situation for many years with credit union members needlessly bearing the costs of such action. This is not a reflection on whether the NCUA was justified in taking actions against U.S. Central and WesCorp, but rather recognition that the particular actions chosen have resulted in severe ramifications. As a result, alternative measures should still be aggressively pursued.

We believe it is in the collective best interests of consumers, members and the credit union industry for the NCUA to consider alternative tools, methods and resources to address issues relating to the corporate credit union system. A more flexible approach, that does not drain the NCUSIF, should promptly be implemented to greatly reduce the costs and impacts to natural person credit unions. While The Golden 1 Credit Union has maintained strong net capital and a conservative approach to business, we believe the current industry situation poses an avoidable risk resulting in diminished public confidence in credit unions and the NCUSIF. Nonetheless, we are encouraged and cautiously optimistic that the March 26, 2009 NCUA Board actions asking Congress to form a Corporate Credit Union Stabilization Fund are important steps towards addressing this concern. By spreading the cost of the stabilization action over as much as seven years, federally-insured credit unions are provided at least a little of the flexibility that is needed.

Another consideration is that of earnings and the unprecedented impact the recording of the NCUA's actions has upon the financial statements of all federally-insured credit unions. Given the agency's ability to dictate that Generally Acceptable Accounting Principles (GAAP) are not appropriate under severe circumstances, it would seem reasonable that these unprecedented impacts (especially with respect to the write-down of the NCUSIF and corporate credit union member capital shares) be authorized by the NCUA as direct adjustments to accumulated net capital versus flowing through the 2008 or 2009 income statements. This would segregate the external shock of such events and allow members and others to properly gauge a credit union's ongoing financial performance on its own merits rather than being dwarfed by agency actions. Such action would provide for a realistic year-to-year financial comparative and also contribute toward industry stabilization.

The Corporate Credit Union System Structure – The ANPR solicits input from credit unions with respect to potential changes to the regulatory and operational structure of the corporate system. Unfortunately, the broad approach used in the ANPR does not appear to provide a focused manner in which to respond. As a result, the comments offered will touch upon many facets of the corporate credit union system's functionality and structure.

While The Golden 1 Credit Union has the capability to utilize alternative service providers, corporate credit unions provide a plethora of valuable services for many credit unions – including ours. A key benefit of the corporate system is its assistance in liquidity management – often at favorable pricing and/or with flexible terms that enable natural person credit unions to more effectively meet their asset/liability needs. This is an important risk-management tool that contributes to our industry's ongoing safety and soundness and our ability to meet member demand for various products and services (including short- and long-term loans and competitive deposit products). As credit union centric entities, corporate credit unions have been a vital and important part of the industry's ability to continue to flourish and expand in a safe and sound manner. Just the same, it may be possible for corporate credit union consolidation to occur in an organized manner which reduces risk while still meeting the needs of natural person credit unions and maintaining safety and soundness considerations. This consolidation could appear to include elimination of the highest level of such system (U.S. Central) through a reduction that ultimately results in fewer corporate credit unions across the United States with the end result being stronger entities albeit fewer in number. However, any discussion regarding consolidation or risk management at the corporate level should fully involve the National Association of State Credit Union Supervisors and the state regulators.

The concept of splitting operational tasks into separate corporate credit unions does not appear to make good business sense on the surface, and would appear to increase concentration risk within the corporate system as earnings streams would become more concentrated on limited offerings (such as payment systems which continues to undergo tremendous change). Similarly, geographical limitations and a requirement for outside directors would appear to be without long-term benefit and a matter more appropriately left to state law.

Given the recent events that have transpired, the most impactful change that NCUA could propose relative to the corporate credit union system would be that of separating or otherwise fully-protecting the NCUSIF for natural person credit unions from that of the corporate credit union system. Similarly, it is our understanding that WesCorp had a federal examiner on their premises full-time to monitor risks and ensure ongoing operations were acceptable to the system. In light of the current circumstances, it would seem appropriate for a post-mortem to be conducted by the agency to determine "how, when and why" this proactive safety and soundness measure failed to protect both natural person credit unions and the NCUSIF.

Closing Comments – During the past year, financial services has experienced unprecedented events and circumstances on a national and global basis. Many of what were once the strongest and most powerful banking entities have crumbled and been merged out of existence, along with well-known investment firms and others. The magnitude of these turbulent economic times cannot be overstated, and the credit union industry has fared relatively well overall despite having to weather the same market dynamics and conditions. While the national spotlight for preservation was originally and appropriately focused on avoiding a meltdown of the banking industry, the 90^+ million credit union members also deserve due consideration for preservation of the credit union industry. As solid taxpaying citizens, our members' taxes are going toward the relief provided our banking competitors. At the very least, the credit union industry should receive appropriate relief and consideration to ensure natural person credit unions will be able to meet the financial service needs of these same taxpaying members who have purposefully chosen to give their business to a credit union over a competing bank.

Clear information regarding future capital requirements as they pertain to WesCorp and/or the potential for non-voting services at WesCorp without capital investments are needed to enable natural person credit unions to fulfill their fiduciary responsibilities to make appropriate and sound decisions for organizational viability and continued success. And, long-term, careful tracking should be put in place to ensure those natural person credit unions that suffered losses related to WesCorp capital write-downs are made whole as these long-term securities continue to be held to maturity - per NCUA's stated intention - and repay.

The steps taken to insure member deposits at the $250,000 level (same as FDIC) and to guarantee all corporate deposits through December 31, 2010 are a good start, but further clarity is needed with respect to long-term agency plans as is continued parity with FDIC deposit guarantees (through 2012). Prompt industry relief in whatever reasonable and prudent form obtainable (the Public-Private Investment Program, TARP funds, CLF access, risk-based net worth, secondary capital, etc.) should be acquired. Alternative means to infuse funds into the NCUSIF, for the issues related to U.S. Central and WesCorp or any prospective corporate credit union issue, should also be quickly sought and utilized. And, on a prospective basis, alternative sources of funding should be made available and ultimately used as necessary, to avoid degradation to the NCUSIF and natural person credit unions' safety and soundness. Last, but not least, regulatory changes to permit alternative forms of secondary capital should be seriously considered for long-term industry stability and viability.

In closing, thank you for the opportunity to express my views, concerns and recommendations as to how the NCUA's unprecedented actions have affected federally-insured natural person credit unions and the industry overall.

Sincerely,

Teresa A Halleck

Teresa A. Halleck
President and CEO