Sent via email to regcomments@ncua.gov

April 6, 2009

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

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

Call Federal Credit Union (Call FCU) appreciates the opportunity to comment on the ANPR for Corporate Credit Unions. Call FCU is a natural person credit union headquartered in Richmond, Virginia, and was organized in September 1962 by the employees of Philip Morris in Richmond, VA. As of February 28, 2009, Call FCU had over $287mm in total assets and 30,000 members.

Dear Ms. Rupp,

Theoretical context to our opinions stated within this letter

Corporate credit unions should be viable entities on a stand-alone basis similar to natural person credit unions. They should be evaluated for their safety and soundness and individual member credit unions should be tasked with performing their own due diligence. If corporates fail to meet the independent sustainability test – they should not be subsidized. We realize that Federal share/deposit insurance has become a necessity in today's environment and that it is a vital part of instilling confidence in the financial system. There is no way to safely retract this insurance given current confidence issues. However, we feel that more emphasis should be put on determining financial institutions eligibility and cost for obtaining deposit insurance going forward. In the credit union industry, we are all (corporates and natural person credit unions) essentially "paying" the same premiums for the disproportionate risks we pose to the entire system (NCUSIF). This may have created an environment where there was no incentive to manage conservatively and prudently as the governments guarantee of deposits was never thought to be "at risk".

The role of corporate credit unions in the credit union system

Corporate credit unions are a fundamental part of the credit union industry, and the industry would suffer a huge setback if they were to disappear entirely. The cooperative nature of corporate credit unions affords natural person credit unions access to fairly priced products and services, and enables credit unions to keep their business with institutions that share the same principles. It is our belief that the largest risks facing corporate credit unions are systemic. At first glance, the current 2-tier system appears to provide diversification and autonomy, but upon closer inspection, all parties rely heavily on US Central for their survival and sustainability. Therefore, we support the decentralization of the corporate credit union system. Each surviving corporate credit union would maintain their national fields of membership with competition among them providing the force that "checks" all players. That being said, there are several provisions that should be instituted before such a landscape might be viable. Ideally, those provisions would include the following:

1) **Capital Requirements**
   Minimum core capital requirements should be reviewed for their appropriateness given recent statistical "outlier" events. Additionally, a risk-based capital component should be added based on regular examinations by Federal regulators. The risk-based capital component should reflect the additional risk that each individual corporate may present to the share insurance fund and credit union system at large. We feel that membership capital (MC) and paid in capital (PIC) would provide additional stability and insurance given recent financial events, but we do not feel MC and PIC should be mandated or required by regulators. Requiring MC or PIC may put corporates at a competitive disadvantage compared to their peer financial institution outside of the credit union system.

2) **Risk Analysis / Safety & Soundness**
   We believe that greater emphasis should be put on the need for due diligence by each individual credit union who decides to invest with a corporate credit union. There has always been (and continues to be) a perceived or implied guarantee associated with the use of corporate credit unions. Federal examiners unquestionable support of corporate credit unions may have given some participants/investors a false sense of confidence, and led them to assume they have carte blanche when allocating deposits at corporate credit unions.
   To assist member credit unions in evaluating corporates, we feel that each corporate credit union should be required to obtain third-party financial ratings coverage to assist in the due diligence process. This independent risk analysis would be the equivalent of disclosing the corporates NCUA CAMEL rating, and would provide credit unions with the information they need to properly evaluate the health of their corporate credit union. Additionally, there should be increased vigilance and involvement by NCUA and other regulators. The scale, frequency, and duration of examinations at larger credit unions (corporate and natural person) should be under review for modification. Larger credit union institutions have become so complex that they may require additional resources to determine their true risk to the (credit union) system and share insurance fund.

3) **Corporate Governance**
Proper governance of credit unions is just as important as it is for other financial institutions. We support boards of directors at corporate credit unions that are diverse, educated, and experienced. Again, we shy away from mandates or requirements, but feel that ideally, corporate credit unions will seek out board members who bring value and expertise to their organizations. This would include representatives from the credit union industry in addition to non-affiliated board members who could bring an "outsiders" perspective. The issue of compensation should be the individual corporate credit unions decision. With an increase in board responsibilities associated with recent financial events likely, it isn't unreasonable to consider compensating board members for their time and efforts.

As our entire industry changes due to increased consolidation and new regulation, we must also review the structure and effectiveness of those organizations that operate within this new framework. We sincerely appreciate the opportunity to submit our comments to you regarding the future of the corporate credit union system.

Sincerely,

Roger B. Ball
President / CEO

George P. Kite III
Vice President & CFO

CC: VACORP Federal Credit Union
Virginia Credit Union League