From: Dennis Flannigan [mailto:dennisf@greatbasin.org]
Sent: Monday, April 06, 2009 6:55 PM
To: _Regulatory Comments
Subject: Comments on Advanced Notice of Proposed Rulemaking for Part 704"

April 6, 2009

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

RE: Corporate Credit Unions ANPR

Dear Ms. Rupp:

Please accept my following comments relating to NCUA's request for input relating to possible changes in the Corporate Credit Union structure and issues relating to NCUA actions to date and those under consideration relating to U.S. Central and Wescorp Corporate Credit Unions.

I am CEO of Great Basin Federal Credit Union, a $120 million community credit union, serving members in the Reno, Nevada metropolitan area. The Northern Nevada community has been hard hit by the sub-prime mortgage debacle. A real estate market that experienced a rapid increase in values now is experiencing the down side of the worst recession in 75 years. Nevada bankruptcy and foreclosures are leading the nation. Unemployment is in excess of 11.2% in our area and will rise further in the months to come.

The effects suffered on the community are being reflected on the members of the credit union. In 2008 Great Basin experienced collateral damage of the home loan centered economic down-turn in an accelerated level of loan losses primarily in automobile repossessions. Historically, Great Basin FCU has been a consumer lender with over 80% of our loan dollars in auto loans and only modestly in real estate loans, approximately 60% of the total in adjustable rate Home Equity Lines of Credit. That said, we experienced a net loss of $2.3 million in net income on the recognized loan losses of $2.9 million and total ALLL funding for the year of $3.5 million. The credit union finished the year with a Capital Ratio of 8.2% of deposits, down from 9.8%.

The board and management of the credit union have acted without hesitation and reduced operational expenses, staffing, increased punitive fees, tightened underwriting and funded our ALLL aggressively. Effective April 15th we will close one of the four branches we have and at that time will have reduced our FTEs from 59.5 to 43, a 28% reduction. We used to be the second largest funder of automobile loans in the area, funding $3-$4 million monthly and now we are lucky to fund

$500,000. Our loan portfolio has been dropping by $2 million or more monthly. I can only shrink our deposits to compensate and hope that eventually job losses level out and the economy reflects some modest turnaround.

We were recently reviewed by the NCUA Region I group headed by Tim Segerson and Sheila Snock. I am pleased to report that contrary to my original concerns of being examined by staff not familiar with our demographic and regional uniqueness, they were competent, experienced, open to understand oou Nevada differences and took the time to appreciate our credit union strengths under the worst of circumstances. They acknowledged the efforts we have taken to survive the situation and were told we have done everything possible and now we only need to weather the storm. This, of course, is the million dollar question and quite candidly, what motivates me to communicate my concerns.

I offer the above to provide the context of my comments the follow that somehow the actions to be considered by NCUA may support our efforts in the months and years to come and avoid any unintended adverse consequences.

I was glad to here Friday of NCUA's decision to share the information from the PIMCO report with the credit union community. This can only help improve an unsatisfactory relationship that had deteriorated unnecessarily.

Corporate Credit Union Structure

It is my opinion that there really isn't anything wrong with corporate structure or with the functions and services they provide. This is an incredibly unique economic environment and if we all had the insight we are holding each other to, the corporates and NCUA wouldn't have invested (or allowed the investment) in AAA investments allowed at the time of purchase. Obviously, investment guidelines, shock tests and capital levels will need to be improved, but other than that structure was not the problem. Do we need a three level structure? If all corporates were given the authority as U.S. Central, we might not need the top (or bottom?) layer at all. This would also remove the duplication of the capital requirements at the U.S. Central level.

I use Wescorp and Firstcorp and I like to use them both. I believe there is a benefit to the competitive environment and to remove competition and limit participation of credit unions to a single regional corporate would be a step to creating just another inefficient bureaucracy. The alternatives to restricting the broad array of services currently provided by corporate will force me to go to multiple credit union CUSOs, a larger credit union servicer or a bank. The competitive corporate system provides the sophistication and integrity of purpose without the inherent conflict of interests provided by the other alternatives. The alternatives can't.

I applaud NCUA's legislative initiative to provide a seven year period to fund the NCUSIF. With new AICPA ALLL funding methodology my credit union is being strained with what I perceive is a compounded funding for historical and specific loan losses. The environment in Northern Nevada has not abated and we need the time to let market place changes take place. If we are required to pay over $1 million immediately it will definitely place us under PCA and reduce the time for things to settle down.

I encourage NCUA to change the approved method of calculating the Capital Ratio to allow for the use of risk assets only and eliminate those assets guaranteed by the government and cash. This is an area that NCUA could demonstrate the leadership necessary in these extraordinary times. We both agree risk based capital is an appropriate methodology, so I encourage NCUA to do take action in this area.

Timing is imperative and concern of the effect of bankruptcy cram-downs on real estate loans will only exacerbate issues. Nevada credit unions are in need of immediate support of NCUA to exhibit leadership and support to aid us through these times of crises. What we need most of is time to let market place initiatives stabilize the environment for the community we serve.

Sincerely,

Dennis Flannigan
President/CEO
Great Basin Federal Credit Union