MIDAMERICAN
CREDIT UNION

April 5, 2009

National Credit Union Administration
C/O Ms. Mary Rupp
Board Secretary
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 223140-3428

Re: Advance notice of propose rulemaking and request for comment (ANPR)

Thank you for your ongoing diligence in identifying and helping to determine the best way to manage the collateral damage stemming from the mortgage market meltdown. Your active role and continuing openness to input is helping us all to focus on the most serious of the issues confronting this.

My qualifications for comment are not strong in the area of market investment expertise nor in how to utilize the strengths of government regulation. I started as a teller working on the front lines of a state chartered credit union serving state employees only. I have served as a credit union office manager, a lobbyist for credit unions, a league executive in Colorado, Kansas and Wyoming. I have represented credit unions as an attorney in many venues. I currently serve as the CEO of a state chartered credit union, originally started as a federal credit union in 1936, with approximately \$140,000,000 in assets which serves over 250 select employee groups ranging from a small flower shops to Bombardier-Learjet in size and complexity. This career spans about 38 years,

It is from this variety of experience that I am commenting on the Corporate Credit Union ANPR. For perspective, I think it is imperative to review the history of corporate credit unions or centrals as they were originally called. Our credit union was once a central serving staff and volunteers of credit unions in Kansas and the corporate needs of their credit unions since the law prohibited them from borrowing from their own credit union. The leagues helped set these up and often provided staff. The law changed many years ago. But until about twenty years ago, CEOs of other credit unions served as the volunteers of our credit union. Last year our last CEO retired.

In the early fifties, far sighted leaders in Kansas saw that a credit union serving individual members had a different focus from a credit union serving the needs of credit unions themselves and started what is now Kansas Corporate CU. This was an almost complete

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picture of what credit unions would need to make their move onto the national stage as a serious provider of consumer financial services. We had credit unions; leagues to serve their advocacy, development and training needs; a corporate to serve their liquidity needs locally; CUNA to serve their advocacy and training needs at the national level; and CUNA Mutual to serve their bonding and insurance needs.

There were several times when the existing financial system sought to preclude credit unions from improving service delivery. In the early 70s, credit unions in Kansas and Texas could not find a bank with access to the Federal Reserve clearing system to help their members have demand accounts. It was not the Federal Reserve or the NCUA that came to the rescue. State chartered credit unions in both states used existing state law to allow them to set up a bank holding company that purchased a bank so they could access the system for what became known as share drafts. Only after several attempts by litigation and legislation to shut down a similar national system set up by CUNA was the law changed to allow credit unions direct access to the Federal Reserve system. The only thing missing was a national corporate to serve the national liquidity and access to the financial system which was organized in the early 70s as U.S. Central.

This does not minimize the role government played in helping along the way. State credit union departments, NASCUS and NCUA were valuable allies all through the system. But it also points out that even without official help of government, leaders in the movement will find a way to serve their members. When there was no nationwide system for excess liquidity, there was ICU services government securities program. Before there was Chase Manhattan or Travelers for nationwide check clearing, there was Towne North Bank and the State Bank of Lancaster. Before there were state credit union departments credit unions were supervised by banking departments or commerce departments. Before there was an NCUA, federal credit unions were charted by the Department of Agriculture. This history is listed to say that each part of the current system which Mid American (MACU) utilizes was created not by government trying to figure out how to help credit union members, but by credit union leaders with a vision for how to deliver to consumer members the products and services they wanted.

So in not so veiled terms I am suggesting that NCUA-BACK OFF. Certainly there is a role here for you all to play. Your involvement to date has been aimed at helping to stem the tide and minimize potential losses. Now it is time for you all to let the system work again. You have folks in place to hold the line on additional losses. You are taking valiant steps to be allowed to spread the potential loss as it crashes into consumer credit unions over a reasonable period of time. But you all need to say to the existing movement, "You guys made it. It hit an unexpected bump. Assess what went wrong and fix it. If you, don't we will have to and that is not our forte." Let's look at government's recent experience in other financial areas where they did not get it right facing the same market melt down. Bear Sterns went out of business, Lehman Brothers went bankrupt. Merrill Lynch was merged overnight. Bernard Madoff bilked thousands of people out of billions of dollars. In each case some federal agency acted or failed to act.

What a great time for NCUA to say to those it governs, we got it mostly right. The capital was there, the investments seemed sound, and the professionals were good at what they did. But something none of us at any level foresaw occurred. Now you all need to add some additional mechanisms to make sure the next time something like this happens, we have better tools for dealing with this. I perceive that this is what you are trying to do with the ANPR. It is a good start. But a better approach is to take more time. Instead of trying to come up with a fix to a system that has evolved over 100 years in less than 90 days, use this time to allow CUNA, NAFCU, NASCUS, state leagues, corporates, natural person credit unions and others with skill and knowledge to ruminate, investigate, propose, discuss and model solutions. Give yourselves a year to 18 months. The best ideas will rise to the top. The markets will settle down some. And vision will become clearer.

I think you are correct in postulating that this may be an opportunity to improve what we already have. But it cannot be mandated from the top down. It must be built from the members up. If you attempt to create a government program that they system does not believe in, it will not support it and a parallel system will evolve to meet the needs. My fear is that the parallel system will be fractured and inefficient. As strong as the credit union system is, it cannot thrive with competing systems neither of which will serve us the best. It will be like what happened with beta and VHS. Some folks got stuck with a system that was later abandoned.

While I hope my suggestion above carries the day. Never-the-less, out of respect for the questions you ask, is my limited contribution. Let me say, up front, I have no particular expertise in the area of securities or market understanding.

1. Role of the Corporates.

    a. Functions. It is a bad idea to separate operation by functions. The market has in place what it is willing to support. Let it work. Regulators are generally not equipped to make operational decisions.

    b. Investment Authority. This should be handled by controlling the amount of risk natural person credit unions are allowed to take and the amount of reserves corporates need based on types of risk their portfolio presents including concentration risk. Limiting the types of investments corporates can make just means natural person credit unions can chase yield somewhere that NCUA does not have authority to control.

    c. Structure. Again, this is an area where NCUA should let the system determine the structure. If they remove regional or national corporates, credit union will seek nonsystem substitutes outside NCUA's control.

2. Corporate Capital. The way to deal with this is by setting up reserves at the natural and corporate levels based on risks including concentration risk. There is no similar system in the banking arena. Neither the Treasury nor the Fed are

covered by share insurance. Only the retail banks have capital. This is as it should be. You can never have enough capital, share insurance or reserves to cover every catastrophe nor bad management (al la Madoff). Do not go there.

3. Permissible Investments. See 1b above.

4. Credit Risk Management. See 1b above.

5. ALM. This may be a good idea. Vendors could propose models for credit unions to use. NCUA could validate models as acceptable based on published standards.

6. Corporate Governance.

    a. Directors. The highly paid, highly educated, highly trained, highly experienced directors on Wall Street did not save Bear Stearns or Lehman Brothers and do not seem to be the solution to GMC, Chrysler nor Fords problems. What works best is hiring staff that has the best interests of members in mind, with a great work ethic and conservative values.

    b. Executive Pay and Benefits. Publishing this information just makes good staff members a target for a few narrowly focused individuals without the ability to make market evaluations. If they really want the information I do not think it hurts the organization for this to be available in a responsible way. Remember, however, the death threats AIG employees and their families got when the size of their bonuses were published. Is the benefit gained really worth the danger it may bring to innocent family members?

I am not sure if this is much help to you. But I offer it for what it is worth. Again, my main message is do not lose sight of the fact that it is the member we must stay focused on and that government is generally a bad manager of business operations.

Sincerely,

Jim Holt

James D. Holt
President/CEO