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

Dear Ms. Rupp:

Thank you for allowing TruWest Credit Union the opportunity to comment on the future of corporate credit unions. We would like to comment specifically on NCUA's Advanced Notice of Proposed Rulemaking for Part 704 (hereinafter "The ANPR"). TruWest is one of many credit unions in Arizona and across the nation that works very closely with the Corporate Credit Union System. Our comments are outlined below and address a few salient talking points.

I. The Role of Corporate Credit Unions

A. Payment Systems

The goal of the corporate network is to provide convenient, efficient, and affordable services for credit unions of all sizes. Payment system services are complex; require extensive support of staff and technical staff. We do not support the creation of separate silos within a corporate credit union to handle investment services and payment systems. To separate payment systems services would result in a lesser level of customer service, higher costs for credit unions, and an inefficient system. There is a need to have at least regional service staff to address problems.

B. Liquidity Management

Liquidity is an extremely critical function that corporate credit unions provide to natural person credit unions such as TruWest Credit Union. Liquidity needs to be available at all times, regardless of the economic environment. More capital and/or liquidity must be maintained in the corporate system to assure ample liquidity at all times. There is no cost effective alternative for credit unions, especially the smaller ones, and it would be difficult, if not impossible to get a borrowing arrangement with banks.

A viable and smart option for credit unions, including for corporate credit unions, is to obtain liquidity via access to the Central Liquidity Facility (CLF). There is currently a negative connotation attached to obtaining liquidity through CLF that deters credit unions from pursuing this option. This stigma should be removed by eliminating the negative consequences from regulators of CLF borrowing.

C. Field of Membership

The ANPR suggests that the decision to allow a national field of membership for corporate credit unions resulted in increased risks to the corporate system. We disagree with this assumption.

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We firmly believe that restricting corporate field of membership to local or regional field of membership not only limits choice, but hampers risk diversification, competition, and innovation.

Natural person credit unions should be free to invest their money with a variety of corporate credit unions depending on their needs and their risk tolerance.

D. Investment Authority

The ANPR suggests removing or reducing a corporate credit union's expanded investment authority. We do not believe these measures are needed. Instead, diversification with appropriate concentration limits need to be put in place. Investment flexibility should remain, but with risk-based capital requirements that adequately capitalize the risk taken. Basel II can serve as a general guideline, though we believe that even current Basel II limits are probably too low.

E. Structure: Two-tiered system

We believe that that the current two-tier system should be maintained for the benefit of natural person credit unions. In our opinion, there should only be one wholesale credit union, and the remainder of the corporate credit unions should be retail corporate credit unions, thus, centralizing all wholesale functions in a single wholesale corporate credit union.

II. Corporate Capital

A. Core Capital / Membership Capital / Risk Based

In our opinion, NCUA should revise its approach to corporate credit unions and capital requirements. Corporate credit unions need to raise additional capital and they need to look to alternative methods to raise this capital. We think that NCUA should definitely implement a risk-based capital requirement. In addition, the bylaws of the individual corporate credit union should determine whether a capital account is required to access services.

III. Permissible Investments

It is our opinion that as long as there is adequate risk-based capital, corporate credit unions should be able to invest within their permitted investment authority.

IV. Credit Risk Management

Currently, the three major rating agencies, Moody's, S&P, and Fitch, are the only viable alternative for rating investments.

It is neither efficient, nor cost-effective to require corporate credit unions to conduct their own independent analysis – this should be the role of the wholesale corporate. Retail corporate credit unions should be free to do this independently, but it should not be a requirement.

Our corporate credit union conducts monthly modeling and stress testing to monitor interest rates risk. If credit spread widening is to be analyzed, it should be done only by the wholesale corporate credit union. This research should then be shared amongst all retail corporate credit unions.

VI. Corporate Governance

Generally, we do not support establishing additional standards for corporate board of directors in the areas of minimum standards, term limits, utilizing outside directors, compensation and compensation transparency.

A. Minimum Standards

Standards should be established democratically by each individual corporate credit union as dictated by its members. These standards should not be part of a regulation. Individual bylaws can dictate the makeup of the board of directors.

B. Term Limits

Term limits could be helpful for directors, but could also lead to qualified board members being removed. This should be left up to each individual corporate credit union.

C. Outside Directors

Although utilizing outside directors could add diversity of backgrounds and sectors, it should be left up to corporate credit union bylaws.

D. Compensation

Compensation of board directors is in direct contradiction of what distinguishes credit unions from banks and goes against the philosophy of credit unions.

E. Transparency

We do not support transparency of compensation. This information is available to the regulator during the regular examination process.

Thank you for the opportunity to share our thoughts and offer our suggestions. Corporate credit unions play a vital role for credit unions, both large and small. Natural person credit unions rely on the expertise of corporate credit unions, particularly small credit unions that are unable to afford in-house support.

Regards,

Daniel F. Desmond
President & CEO
TruWest Credit Union