



August 20, 2012

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

Delivered to the NCUA Board as an email: regcomments@ncua.gov

Re: Charles Bruen Comments on Notice of Proposed Rulemaking for Parts 700, 701, 741 and 750 – Definition of Troubled Condition

Dear Ms. Rupp:

I appreciate the opportunity to provide comments and observations to the National Credit Union Administration Board about the notice of proposed rulemaking concerning the definition of troubled condition. First Entertainment Credit Union is a \$970 million in assets, 63,000-member federally insured California state-chartered credit union located in Hollywood, California and is a member of the National Association of State Credit Union Supervisors (NASCUS).

My comments are directed to the proposal generally rather than to any specific section. I oppose this proposal on the grounds that it drives yet another federal government preemptive nail in the coffin for the dual chartering system. Unfortunately, the proposal also continues the NCUA Board's counterproductive track record for leveraging the federal deposit insurance fund statutes and rules to erode the practicality of the state credit union charter option.

I recognize that the NCUA Board has important responsibilities under the deposit insurance Title II of the Federal Credit Union Act. Historically that responsibility included close coordination with and appropriate deference to the state statutes and prudential regulatory systems. This proposed rule will badly upset that state-federal safety and soundness balance. Currently the NCUA Board defines "troubled condition" as a credit union that has received special assistance under the Federal Credit Union Act Section 208 or a credit union that has been rated a CAMEL code 4 or 5. Historically, the CAMEL rating for federally insured state-chartered credit unions (FISCUs) was the rating given to it by the state supervisory authority (SSA). The proposed rule places the ultimate determination of troubled condition in the NCUA Board's hands, including the ability to totally preempt the SSA-determined CAMEL rating for a FISCU. Apparently, there exists no practical limit on what the NCUA Board chooses to self-include under its deposit insurance fund protection responsibilities.

I am in 100% agreement with NASCUS President and CEO Mary Martha Fortney who is quoted on the trade association's website as having remarked, "NASCUS is very concerned about the preemptive nature of NCUA's proposed rulemaking regarding troubled condition FISCUs. State regulators are the primary regulator for FISCUs and this proposal appears to presume that the agency's judgment is superior to that of its state regulator partners. Through successive preemptive rule making, NCUA continues to dilute the dual chartering system with little regard for the consequences and implications on the state CU system. That NCUA proposes to further diminish the role of state agencies in the supervision of FISCUs is troublesome from a broad perspective."

Excessive "federalization" of the credit union system can only lead to a one-size-fits-all conformity that stifles marketplace innovation and restricts membership-driven services. I urge the NCUA Board to not finalize the proposed troubled condition definition rule. Despite its stated good intentions, I cannot help but be alarmed and sorely disappointed that the NCUA Board would take such an action that so directly undermines the dual chartering system.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles Bruen". The signature is fluid and cursive, with a large initial "C" and a long, sweeping tail.

Charles Bruen
President & CEO
First Entertainment Credit Union