



Your bridge to financial freedom

March 9, 2010

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

Dear Ms. Rupp:

Re: Response to Proposed Rule for Corporate Credit Unions (12 CFR Part 704)

I have invested considerable time into the review of not only the proposed rule, but the myriad of publicly available opinions on the same. I have had the opportunity to provide feedback on letters that you have received from Corporate Credit Unions and from the Michigan Credit Union League. I am in agreement with the comments included in those letters. My goal with this letter is not to repeat those same comments, but share the reaction I would have should the rule go forward as proposed.

The value we receive from our membership in Central Corporate Credit Union goes beyond the interest received on our deposits. Just as the case with natural person credit unions, Cencorp pays us higher dividends and charges us lower fees than we would expect from for profit competitors. E&A is able to pass on those advantages to our members, allowing us to serve the core mission of all credit unions.

As with all businesses, some portions of operations are highly profitable in comparison to others. Good business people balance those segments to result in a healthy company. It has been my experience that CenCorp has practiced this solid strategy. Unfortunately, the proposed rule substantially restricts some of the most profitable areas of their business.

If the rule goes forward as proposed, I would immediately begin the process of looking for new service providers outside of the Corporate Credit Union structure to provide all services that we receive through that structure today. The restrictions in the proposed rule are such that a reasonable person should not expect a Corporate Credit Union to competitively provide existing services or develop the new services demanded by our members.



E&A is a large enough credit union with the talent necessary to undertake this effort. I have significant concerns regarding how small credit unions, already buried under a steadily increasing regulatory burden, would be able to respond. Prior to joining E&A I spent eight years auditing credit unions and community banks. I was always impressed by the way CenCorp acted as a business partner, rather than a vendor. It is not the same in the “real world” of for profit service providers. I expect many small credit unions could end up in bad service contracts with providers other than the Corporate Credit Union.

As I noted previously, I agree with the comments and recommendations submitted by the Michigan Credit Union League and Central Corporate Credit Union. We need a strong corporate system. That system must have the flexibility to operate successfully. I hope you will consider the fact that many Corporate Credit Unions have not failed. Many actually operated in a safe and sound manner. Most of the issues that impacted the failed or failing Corporate Credit Unions have origins in poor corporate governance and ineffective regulatory review. Changing the regulations the corporate system operates under will not fix these problems.

I have in the past summed up many aspects of the proposed rule as an oxymoron. It appears that many avenues available for earnings are removed or reduced at the same time as a requirement for retained earnings is introduced. In order to have a healthy corporate system, the opposing desires of risk mitigation and amassing retained earnings will have to be balanced.

I am happy to answer any questions raised by this letter.

Sincerely,

David Brandt, CPA
Chief Financial Officer
E&A Credit Union
P.O. Box 610908
Port Huron, MI 48061-0908
Phone: (810) 989-4122