

**FIRSTENTERTAINMENT
CREDIT UNION**

www.firstent.org

December 28, 2010

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

**Re: First Entertainment Credit Union Comments on Notice of Proposed
Rulemaking for Part 704 –Corporate Credit Unions**

Dear Ms. Rupp:

On behalf of First Entertainment Credit Union, I appreciate the opportunity to comment to the members of the NCUA Board about the proposed rule concerning more corporate credit union restrictions. First Entertainment is an \$824 million in assets, 58,000 member California-chartered, federally insured credit union headquartered in Hollywood, CA. At one time First Entertainment was a member of five corporate credit unions and could select those services provided by each of them that best served our credit union's membership. Today the credit union belongs to one bridge corporate and one non-bridge corporate credit union. We are researching all of our payment system services and investment services options and expect to make a good financial and risk-managed decision once our due diligence process is completed.

My comments focus on two specific provisions in the proposed rule that I believe should not be adopted in the final rule. First, the addition of a requirement that a consumer credit union's membership be limited to one corporate credit union would be counterproductive and represents unnecessary government control of the marketplace. Secondly, although sympathetic with the statement that the NCUA Board's corporate credit union stabilization actions aided all members including non federally insured credit union (FICU) members, the proposed "equitable sharing" mechanism for establishing voluntary payments by non FICUs to the Temporary Corporate Credit Union Stabilization Fund (TCCUSF) is convoluted and inappropriate.

The NCUA Board has made many important decisions as part of its corporate credit union stabilization actions and implementing its corporate credit union crisis resolution plan, but it also needs to recognize when to stop its involvement and let the marketplace sort out the rest. Additionally, while the NCUA Board's apparent enthusiasm to ensure that the industry would never again suffer such a systemic loss is admirable, the pendulum is now swinging too far toward regulatory overkill. These proposed rules are not necessary and are certain to lead to unintended consequences.

One Corporate Rule Pushes Credit Unions Away Toward Competing Alternatives

Establishing the proposed rule amending section 701.5 limiting a credit union to being a member of only one corporate credit union would be just that much more of a reason to not use any corporate at all. The corporate credit unions will have a difficult enough time even without these additional restrictions convincing credit unions of their future value proposition and cost competitiveness. The officials at credit unions are adult enough to make their own business decisions about the corporate credit unions' business plans. They certainly learned a costly lesson in the past few years and are likely to be very prudent and cautious moving forward.

The NCUA Board's contention that such a limit on memberships would deter unsafe rate shopping is misguided. Even with the adoption of this rule that the NCUA Board admits is designed to prevent the nebulous concept of "unhealthy competition," credit unions will be investment rate shopping at non-corporate credit unions if the in-system options are arbitrarily limited. The NCUA Board's effort to control the marketplace with this restriction is misguided. Additionally, I find disturbing the NCUA Board's underlying premise that unhealthy competition can exist within a free enterprise-based United States business culture and that competition should be government controlled. I also believe that it is inappropriate for the NCUA Board to pre-empt state regulators by imposing this single membership restriction on state chartered corporate credit unions and consumer credit unions rather than allow state law and regulation to prevail.

If the NCUA Board is determined to place this business choice restriction on the marketplace, then retaining the proposed grandfather provision for existing memberships in corporate credit unions provides at least a modicum of equilibrium for First Entertainment and other credit unions.

Non FICUs Voluntary Payments to the TCCUSF Represents Regulatory Overkill

As stated earlier in this comment letter, there is some merit to non FICUs that remain customers of corporate credit unions making voluntary payments to the TCCUSF. However, the NCUA Board's proposed mandatory "voluntary" payment and mandatory expulsion mechanism is convoluted and unreasonable. Non FICUs might have a moral responsibility and obligation to assist in paying back the TCCUSF costs (although not a contractual one), but what the NCUA Board proposes looks more like a government-mandated shakedown than responsible public policy.

I suggest revising the rule to allow each corporate credit union to decide whether or not such a voluntary payment concept should be incorporated into its membership policies. It should also be made crystal clear that non FICU members of corporate credit unions are free to stay or go under these voluntary policies and that they will not have their choice to exit membership blocked by NCUA in order to force *de facto* mandatory payments to the TCCUSF. If the mandatory "voluntary" payment is instead to remain not really voluntary, then the proposed new section 704.21 should not be included in the final rule.

The one corporate rule is a bad idea, it demonstrates regulatory micromanaging, and it pushes First Entertainment and other credit unions away from the corporate credit unions. The mandatory non FICU "voluntary" payment and expulsion mechanism will not be effective, represents inappropriate regulatory overkill, and will serve to undermine corporate credit unions' governance credibility. And finally, I would urge the NCUA Board to reaffirm that these restrictive proposed rules are no substitute for responsible regulatory supervision and thorough agency examinations of corporate credit unions.

Sincerely,

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

Charles Bruen
President & CEO
First Entertainment Credit Union