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MAY02'08 PM 1:30 BOARD

ARIZONA DEPARTMENT OF FINANCIAL INSTITUTIONS

Elecia A. Rotellini
Secretary of Financial Institutions

Janet Napolitano
Governor

April 30, 2008

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

RE: Advance Notice of Proposed Rulemaking Parts 709a and 708b (Mergers,
Conversions, and Termination of Insurance)

Dear Ms. Rupp:

The Arizona Department of Financial Institutions (the Department) appreciates the opportunity to comment on the Advance Notice of Proposed Rulemaking and Request for Comment (ANPR) on Parts 708a and 708b. As the state regulator of 26 credit unions with close to \$7 billion in assets, we are concerned with the content/intent of the ANPR which fails to give proper recognition to the sovereignty of the states and their authority and responsibility to regulate state credit unions. We believe that the ANPR seeks to preempt states rights to regulate areas that have been traditionally within our authority: corporate governance, members' rights, and director fiduciary duty.

The Department is unaware of any provision in the Federal Credit Union Act which would empower the National Credit Union Administration (NCUA) to issue a regulation preempting state laws. The proposed rule calls for a significant preemption where no such preemption has been authorized by Congress and far exceeds NCUA's insurance mandate. We believe that the proposed rule oversteps NCUA's rulemaking authority.

Mary Rupp, Secretary of the Board
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State regulators have been charged by their respective legislatures with the responsibility to ensure that state-chartered credit unions are managed in a manner consistent with state laws, regulations, and public policy decisions. All state regulators take this responsibility very seriously. We share many of the concerns that NCUA seeks to address in the ANPR. However, to preserve the dual chartering system, many of these issues should be determined on a case-by-case basis by state law and regulation.

In conclusion, we respectfully urge the NCUA to reconsider the scope of the ANPR and clarify that any rulemaking in this area would apply exclusively to federally chartered credit unions.

Sincerely,



Felecia Rotellini
Superintendent