California Credit Union

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August 31, 2005

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

SEP08'05 PM 1:49 BOARD

Re: Proposed amendments
12 CFR 742
Docket number 7535-01-U
70 Federal Registers July 29, 2005

California Credit Union is please to submit our comments to the National Credit Union Administration's proposed changes to Section 742. Proposed revisions address networth levels, networth duration, and notification requirements.

California Credit Union is a state chartered institution serving the education community in the Los Angeles metropolitan area since 1936. California Credit Union is approximately one billion dollars in assets and is serving seventy-nine thousand members. The credit union offers consumer loans, real property loans, member business loans, and a vast array of share accounts to serve our members.

Overall, California Credit Union agrees with the proposed changes to section 742. We recommend that the Board make some changes including state chartered institution in the RegFlex program and modifying some of the proposed amendments.

Section 742.1 Regulatory Flexibility Program.

As a state chartered institution, California Credit Union, is unable to participate in the RegFlex program. California Credit Union is currently well capitalized at 12% networth. If the credit union had a composite CAMEL rate of "1" or "2" for two concurrent examination, the institution currently would not be able to apply for regulatory relief and enjoy the benefits of demonstrating superior performance.

Section 742.2 (2) Net worth level

The proposal would change the minimum net worth requirements a credit union would need to automatically or by application qualify for RegFlex relief. The credit union agrees that there is no reason to set a higher net worth standard to qualify for RegFlex than Congress has set for credit unions to be free of Prompt Corrective Action (PCA).

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Section 742.2 (2) **Net worth duration**

Currently the credit union may become eligible for RegFlex as soon as it has achieved the net worth classification if "well capitalized". We agree that this is a momentary "snapshot" of net worth and does not demonstrate sustained superior performance; however, we feel that six consecutive quarters is an excessive duration. The credit union would alter the proposal to four consecutive quarters. The four-quarter period would adequately demonstrate that the credit union superior performance.

Section 742.3 **Notification**

The current language requires NCUA to notify a credit union of three occasions: when it first qualifies, during an examination, or upon submission of an application. We concur that these notification are redundant. Part 742's net worth and CAMEL criteria are discrete and apparent to both the NCUA and the individual credit union and thus notification is superfluous. The application process has a bit of ambiguity and thus notification would be appropriate.

Conclusion

California Credit Union is committed to working with the National Credit Union Administration goal to promulgate clear, understandable regulation that impose minimal regulatory burden. We appreciate the opportunity to participate in the rule making process. California Credit Union is willing to assist in this initiative in any way we can.

Sincerely,

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