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

Re: ***Comments on NCUA Proposed Rule Part 701.3
(Member Inspection of Credit Union Books, Records and Minutes)***

Dear Ms. Rupp:

I am writing to you in reference to proposed Rule Part 801.2 concerning member inspection of credit union books, records and minutes. I am writing to you in my capacity as the attorney for more than two dozen credit unions located in the State of New Jersey. My practice is devoted exclusively to representing federal and state chartered credit unions and this is the thirtieth year that I have represented credit unions.

THE PROPOSED RULE.

The proposed Rule provides for the following:

- The right of members to inspect and copy credit union books and records of accounts and minutes of proceedings and board meetings;
- Members seeking to inspect records must submit a petition for inspection signed by one (1%) percent of the members with a minimum of 20 and a maximum of 250 signatures;
- The member must substantiate a proper purpose for the inspection;
- Once the petition is submitted, the inspection must be conducted within fourteen days and there is no right to inspect confidential books, records or minutes with an exception which would allow inspection of materials describing the compensation and benefits to senior credit union employees;
- Costs – the petitioner must pay the direct and reasonable costs of the inspection;
- Disputes are to be submitted to the Regional Director's Office.

Based upon my experience in representing small, medium and large credit unions, it is my opinion that the proposed Rule is not necessary for the purposes stated in the proposed Regulation. It has been my past experience that credit union members are able to obtain information concerning the operation of the credit union through existing sources. Financial information is readily available from both the credit union and the web site of the National Credit

Union Administration. Members who have specific inquiries can contact the Board of Directors and those who are unhappy or dissatisfied with the results routinely contact the National Credit Union Administration which in turn contacts the Chairperson of the Credit Union's Supervisory Committee and requests the Supervisory Committee to respond to the member's inquiry. In the many years I have represented my credit union clients, this procedure has worked well and I urge you to continue the existing procedures.

I am concerned that the proposed Regulation will merely act as an opportunity to conduct fishing expeditions in reference to the operations of the credit union. This is particularly true as credit union's fields of membership have grown larger and larger. I also note that New Jersey State Law provides adequate procedures for any member who feels the necessity of obtaining information through legal proceedings.

RECOMMENDED REVISIONS.

For the reasons set forth in this letter, I do not believe the proposed Rule is necessary and therefore urge NCUA not to adopt the proposed Rule. However, in the event the Rule is to be adopted in a revised form, I recommend the following revisions:

Proper Purpose.

The issue of proper purpose will undoubtedly ignite numerous disputes, particularly in the area of executive compensation. This may in turn adversely affect the ability of credit unions to attract and maintain executive employees.

The proposed Rule, if adopted, will be an opportunity for disgruntled members to conduct fishing trips to gain internal information and will result in unnecessary time and effort being spent either disputing with members as to whether they have a proper purpose or not, or submitting disputes to the Regional Director's Office.

It is recommended that the definition of ***Proper Purpose*** be narrowed. This is particularly important in the area of the credit union's business plans and executive compensation. Please see my comments below in reference to ***Confidential Books and Records***.

Confidential Books and Records.

As currently worded I believe the Regulation will result in numerous disputes with disgruntled members of the credit union in reference to what records are, or are not confidential. The Rule will adversely affect the credit union's ability to develop confidential business plans necessary to compete in the highly competitive area of consumer financial services. I anticipate that credit union executives and board members will respond to the Regulation, if adopted, by reducing the amount of important confidential information which is contained in written credit union records. The disadvantages of allowing dissemination of this important information far outweigh any benefit to the members.



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Dispute Resolution.

I anticipate that there will be disputes between certain members and the credit union concerning whether the records are being sought for a proper purpose. This will result in numerous disputes which, under the terms of the proposed Rule, must be submitted to the Regional Director's Office, resulting in a further burden on those offices. Business decisions of the credit union, such as branch closings and the sale of credit card portfolios will undoubtedly spur requests for information relating to the closing and potential compromise of the credit union's business plans.

Minimum Signature Requirement.

The proposed Regulation states that one (1%) percent of the membership, with a minimum of 10 and a maximum of 250 must sign the petition. In my opinion, the number is too low. This is particularly true for a large credit union which may have tens of thousands of members. I strongly recommend that the minimum signature requirement be increased to 500 and preferably 1,000. I fear that otherwise the credit union would be subjected to numerous requests and potential disputes over member requests for confidential or controversial information concerning the operation of the credit union.

For the reasons set forth above, I do not believe the proposed Rule is necessary. However, I do suggest that the proposed language be added to the already existing Regulation concerning charter conversions, NCUA Regulation Part 708A. This is the one area where additional information is absolutely critical since the very existence of the credit union may be in question. Accordingly, I suggest that the proposed Rule be added to the disclosure requirements already contained in NCUA's proposed Rule on credit union charter conversions.

Thank you for this opportunity to comment on this issue. Please feel free to contact me should you have any questions in reference to the contents of this letter.

Yours truly,

Peter J. Liska/s/

PETER J. LISKA

PJL/jfk