

Massachusetts Bankers Association

June 21, 2007

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

RE: Proposed Rule 701.3: Member Inspection of Credit Union Books, Records, and Minutes

Dear Ms. Rupp:

On behalf of our 205 commercial, savings, cooperative, and savings and loan members throughout Massachusetts and New England, the Massachusetts Bankers Association (MBA) appreciates the opportunity to comment on the National Credit Union Administration's (NCUA) Proposed Rule 701.3: Member Inspection of Credit Union Books, Records, and Minutes. We are concerned with a number of aspects of the NCUA's proposal.

Proposed Rule 701.3 allows a group of federal credit union members representing approximately one percent of the credit union's membership to obtain access to the non-confidential portions of the credit union's books, records, and minutes. The proposal notes that because federal credit unions are not-for-profit, member-owned cooperatives, the financial interests of members in their credit union are similar to the financial interests shareholders have in for-profit corporations. Corporate shareholders have various methods to protect their financial interests in the corporation and because of the similarity of interests between credit union members and corporate shareholders, the NCUA believes that credit union members should have the same rights to obtain access to books and records as shareholders.

We are concerned that the proposal runs contrary to current corporate governance standards. The proposal allows member groups of not less than 20, but not more than 250 credit union members, regardless of the size of the credit union, to obtain and potentially disseminate information discussed in board meetings regarding the credit union's strategic planning activities, personnel issues, and other matters. The 250 member cap on petitioners is an extremely low threshold that any dissident group must meet to gain access to these sensitive records. For a credit union with 500,000 members, this represents less than one half of one percent of the overall membership. Small minorities of members could potentially disrupt the credit union's governance and put the institution at risk.

The proposed rule also places NCUA personnel in the position of determining whether requests from member groups are legitimate. We believe these decisions should be made by impartial judges, not regulatory officials. The proposal also allows, but does not require NCUA regional directors to place conditions on the copying and distribution of the information obtained through the petition process. Because there is not requirement that the credit union and dissident member group have an agreement on the dissemination of this information, we believe that a small minority of credit union members could distribute sensitive information without any meaningful control or oversight. We do not believe that this provides any benefit to the credit union's membership, and severely undercuts the ability of the credit union's management to run the institution in a manner that is beneficial to the majority of the membership.

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Ms. Mary Rupp
Page 2
June 21, 2007

Finally, we believe that the NCUA's assertion that credit union member rights are parallel to shareholder rights of publicly-traded corporations is incorrect. Credit union members do not purchase an equity interest in the institution, and also do not have the right to withdraw their equity except for withdrawing whatever funds they have on deposit. In addition, unlike a shareholder in a publicly-traded company, credit union members cannot sell or market their equity share. Giving credit union members rights equivalent with those of shareholders is not consistent with their actual relationship with the credit union.

In conclusion, we believe the proposed rule is flawed, and grants significant rights to a very small minority of credit union members. We also believe the rule does not protect the legitimate deliberations of credit union boards of directors and their responsibility to their broader membership. For these reasons, we urge the NCUA to withdraw the proposed rule or substantially revise the proposal and reissue it for comment prior to finalizing the rule.

Thank you again for the opportunity to comment. If you have any questions or need additional information, please contact me at (617) 523-7595 or via email at jskar@massbankers.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon K. Skarin". The signature is fluid and cursive, with a long horizontal stroke at the end.

Jon K. Skarin
Director,
Federal Regulatory & Legislative Policy