

Jordan, Sheron

From: _Regulatory Comments
Sent: Monday, June 25, 2007 8:01 AM
To: Jordan, Sheron
Subject: FW: Ohio Credit Union League's Comments on Proposed Rule 701.3

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June 22, 2007

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

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

Dear Ms. Rupp:

The Ohio Credit Union League, the trade association for credit unions in the State of Ohio advocating on behalf of more than 400 state and federal chartered credit unions and their 2.7 million members appreciates the opportunity to provide comments on the National Credit Union Administration's ("NCUA") proposed rule on Member Inspection of Credit Union Books, Records, and Minutes. Prior to the inspection of this proposed rule, NCUA has differed to take the appropriate state corporate law in addressing this issue.

Under the rule, NCUA proposed to standardize and clarify existing member inspection rights regarding federal credit union (FCU) books, records, and minutes. The proposed rule, which would confer no new rights to members, provides that a group of FCU members, upon submission of a proper petition, would have the right to inspect and copy the non-confidential portions of the FCU's books and financial accounting records as well as minutes of the meetings of the credit union's members, board of directors, and committees.

Under the proposal, at least one percent of the credit union's members, with a minimum of 20 members and a maximum of 250 members, must sign an inspection petition to the credit union's board.

The petition must state with specificity the records to be inspected as well as a

6/25/2007

legitimate purpose for the inspection. The reason for the inspection must be related to the business of the credit union, such as protecting the financial interests of the members.

In addition, the petition must name the petitioners that will pay for the cost of locating and duplicating the material requested in the petition or else state that the group as a whole will reimburse the FCU for those costs. The costs must be directly related to searching for and copying the materials; furthermore, those costs must be reasonable.

In addition, the proposal states that members do not have the right to inspect portions of the books, records, or minutes of an FCU under certain circumstances; if federal law or regulation prohibits disclosure of that portion; if that portion contains nonpublic personal information (such as Social Security numbers); or if that portion contains information about credit union employees or officials, the release of which would constitute an unwarranted invasion of personal privacy.

There is an exception to the above prohibition on disclosure of information about credit union employees or officials. Given the financial interests of members in the sound management of the credit union, members may inspect materials describing the qualifications, compensation and benefits of senior executive officers.

In reviewing this rule, the Ohio Credit Union League ("League") is concerned that it creates additional restrictions on the rights of members to inspect the books of federal credit unions given to them under the corporate laws of the state of Ohio.

In particular, this proposal requires that the petitioning group must represent at least one percent of the credit union's membership. Further, the group would have to represent at least 20 members, but not more than 250, regardless of the size of a credit union's membership.

Furthermore, the rule states that the petition must state with specificity the records to be inspected as well as a legitimate purpose for the inspection is related to the business of the credit union, such as protecting the financial interest of the members.

Under state law, however, any shareholder of the corporation, upon written demand stating the specific purpose thereof, shall have the right to examine in person or by agent or attorney at any reasonable time and for any reasonable and proper purpose, the articles of the corporation, its regulations, its books and records of account, minutes, and records of shareholders aforesaid, and voting trust agreements, if any, on file with the corporation, and to make copies or extracts thereof.

The minimum requirement for the shareholder's inspection is that the purpose is reasonable and proper. The burden is on the credit union to prove the shareholder's request is unreasonable or improper. Moreover, upon presenting the request the shareholder is presumed to be acting in good faith.

The League's concern with this is that by creating a petition request signed by at least one percent of the credit union members with a minimum of 20 members and a maximum of 250 members, an individual member could be unable to request and review minutes of a Board Meeting, a shareholder meeting, or the Articles or Bylaws of the credit union itself.

The League does, however, agree that confidential information on the books and records of the credit union should not be made available for inspection, that members should pay the costs related to retrieving copies of those records, and that an appeal process to the regional director to resolve disputes is reasonable.

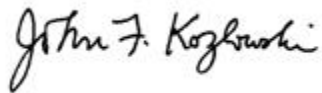
Finally, at the present time, the League is not aware that credit unions in general have received a high number of requests right now to inspect the books or records of the credit unions, therefore necessitating the need for this regulation.

Therefore, the Ohio Credit Union League respectfully requests that NCUAA reconsider this proposed rule in light of the onerous petition requirements that would severely limit and/or discourage credit union members from attaining access to the books and records of the credit unions.

The above represents the comments of the Ohio Credit Union League regarding the proposed rule on Member Inspection of Credit Union Books, Records, and Minutes. Furthermore, the League would be more than willing to provide additional information or comments if so requested.

If you have any questions or if I can be of additional assistance, please do not hesitate to contact me at (800) 486-2917.

Respectfully submitted,

A handwritten signature in black ink that reads "John F. Kozlowski". The signature is written in a cursive, slightly slanted style.

John F. Kozlowski
General Counsel