

**Jordan, Sheron**

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**From:** \_Regulatory Comments  
**Sent:** Monday, June 25, 2007 8:23 AM  
**To:** Jordan, Sheron  
**Subject:** FW: Comments on proposed rule 701.3 by SaveCCU - correction of two typographical errors

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

**Subject:** Comments by Save Columbia Credit Union (SaveCCU) on Proposed Rule 701.3 - Member Inspection of Credit Union Books, Records and Minutes

Dear Ms. Rupp and NCUA Board members,

SaveCCU supports this rulemaking and appreciates the NCUA Board's proactive stance in seeking to protect credit union member-owner's fundamental right to access information relevant to decisions made by credit union board of directors and management.

What happened to us as state chartered credit union members, struggling to meaningfully participate in the 2003 proposed conversion of Columbia Credit Union into a mutual savings bank, illustrates the need for the proposed rules in order to protect federal credit union members.

Credit unions assert that transparency and member participation in credit union affairs is not only a value, but stands as the fundamental difference between credit unions and all other financial institutions. What we painfully discovered in practice, however, is that the fundamental values of transparency, member participation and member-owner rights can become mere public-relations tools that are easily manipulated and blocked by credit union boards when member-owners actually take these rights seriously and attempt to exercise them.

SaveCCU's experience shows that member-owners who attempted to exercise their rights can be labeled and targeted as "dissidents" and "outsiders," whose motives are characterized as ill-intended, disruptive, and ultimately harmful to the well-being of the credit union. Since credit union boards and management have at their disposal the full resources of the credit union membership, they can conduct public relations campaigns to discredit any group of members (no matter the number) who seek to question decisions or even to simply access information regarding board decisions presented to credit union membership for a vote.

Columbia Credit Union (CCU) used its resources in a public relations campaign to discredit members who opposed board decisions affecting the continued existence of the credit union. Members had to go court in order to force the credit union to follow its own bylaw provisions, providing for a membership meeting that we legitimately petitioned to hold, submitting over 3000 signatures. We also were forced to seek judicial intervention in an unsuccessful effort to access information related to the conversion attempt itself. To this day all CCU members, except for the conversion Board of Directors, have been effectively blocked from reviewing how such costly decisions were reached.

Lawyers representing the CCU conversion board of directors argued in court that credit union members

should be considered simply “depositors who are owed a deposit back.” This led to the 2006 Washington State Court of Appeal’s decision analogizing the financial interests of credit union members to those of depositors in a mutual savings bank, leaving the concept of credit union “member-owners” as a public relations tool without any real substance. On top of this we were vilified by CCU as “litigious” and harmful to the credit union in our struggle to protect the rights of all credit union members. Yet the real harm was CCU’s success in undermining member-owner rights, and the failure on the part of the State Department of Financial Institutions to enforce these rights and prevent their manipulation and censure.

An argument has been put forth in response to this rulemaking that “extensive regulatory oversight” makes active exercise of member-owner inspection rights, and the subsequent need for this rulemaking, unnecessary. However, the experience of SaveCCU and others stand as a sadly compelling example of how member-owners of credit unions cannot rely on the existence of a state regulatory agency to protect their interests, since it appears the very existence of the state’s regulatory authority is judicially determined to remove credit union members of their rights. This has contributed to the egregious miscarriage of justice that occurred as members of our group were removed from Volunteer positions and expelled, along with SaveCCU, from our membership in Columbia Credit Union. (For more information see [www.saveccu.com](http://www.saveccu.com).)

We offer the following change to subpart (b) "Petition for Inspection" to insure there is absolutely no chance for misinterpretation:

"The number of members required to sign the petition shall equal or exceed 1% of the total membership, but that requirement shall never be less than 20 members, and shall never be more than 250 members."

Finally we ask that NCUA require that federal credit unions, who ask members to convert to a state chartered credit union, inform members of the governance rights they may lose, such as access to credit union records, if they convert.

In conclusion, we pray that proposed Rule 701-3 will be enacted, thereby providing protections to credit union member-owners that are currently lacking, and we appreciate this opportunity to provide our comments.

Sincerely,

Save CCU Committee Board (2007) <http://saveccu.com/index.htm>

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