



June 25, 2007

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

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

Dear Ms. Rupp:

On behalf of the Kentucky Credit Union League and its member credit unions, I want to thank you for this opportunity to comment on the National Credit Union Administration's (NCUA's) proposed regulation which would amend 12 CFR Part 701 to add a new part 701.3 giving members of federally chartered credit unions a right to inspect the books, records and minutes of the credit union.

Members of the Kentucky Credit Union League believe credit union members should have access to information so that they can adequately evaluate the effectiveness of the management team and Board and to protect their rights as member owners. However, we do have several concerns regarding the current proposal and we address them below.

In the event of a community charter, for example, it would not take a lot to get 250 people together (i.e. 250 bankers that joined through community membership) to petition all kinds of information with the intent to do it harm.

The kinds of information should be more restricted. All strategic plans, marketing plans, disaster recovery plans, and other competitive information should be protected. In addition, the breadth of information that can be requested should be restricted. For example, petitioners should not be able to request all financial statements for 50 years. Warehousing of the records could be expensive and time consuming. There should be

some outer limit on the information request so old records can be purged. Also, a 14 day turn-around to a petition may not be sufficient for a credit union if the files are stored off site or are not in a digital format. There could be a lot of personal identification information on members that would need to be redacted before they were sent.

There should be a waiting period before a group of people can petition. For instance, a member should have to have joined at least six months before they are eligible to be a petition signer.

Although the request/petition does have to pertain to the “business of the credit union”, we feel this is broad enough to encompass a lot of area and can cause some interpretation problems when applied to either very small or very large credit unions.

In regards to circumstances in which members do not/should not have the right to inspect portions of the books, records of minutes of a federal credit union, legal privilege should be excluded from any such request. Such as, if a credit union is involved in litigation by a state or federal agency, there could be matters discussed at a Board Meeting that would be protected under the attorney/client privilege. The investigating agency may not want certain information made available to the public. The Board or Committee should have a mechanism where certain such classes of information could be sealed or withheld from review by the petitioning members.

These are just a few of our immediate concerns with the proposal as written. We urge NCUA to consider the broader implications prior to approving a final rule.

Thank you again for this opportunity to comment on a very important matter to our credit unions. Please feel free to contact me with any concerns or questions you may have.

Sincerely,

Wendell Lyons,
President