

June 1, 2007

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

Subject: Comments on Proposed Rule: Part 701.3 – Member Inspection of Credit Union Books, Records, and Minutes

Dear Ms. Rupp:

We have reviewed the proposed subject rule, and respectfully offer our comments for NCUA consideration.

Acknowledging that the premise behind member transparency is sound and inherent to the structure of a member-owned financial cooperative, we agree that members have the right, and should continue to have the right to review and consider Board diligence in handling credit union affairs. However, we do not believe that creating an entirely new set of regulations is necessary, given the existence of credit union bylaws which already afford members a more effective forum to question and hear rationale for Board level decisions.

Lacking significant examples of non-transparency demonstrating a need for additional regulation, all credit unions should be concerned that outside interests, more so than members, will interfere and impede credit union operations and strategic positioning, or cause public relations issues, through abuse of this proposed rule. The rule creates the potential for intrusive, unreasonable, or otherwise onerous burdens by not requiring petitioners to fully support a specific business purpose for their requests. As written, the proposal places the burden of proof with the credit union, in that the credit union must identify evidence supporting potential improper use. We respectfully suggest that a more significant burden of proof be required of the petitioners to support "proper purpose," for without such a requirement, we fear that the fiduciary responsibilities of the Board of Directors will be damaged by their need to constantly respond to unsubstantiated requests for documents.

Given that a maximum of only 250 member signatures are required to constitute a petition, large credit unions are especially susceptible to special interest groups of members or outsiders using the rule for improper or unreasonable purposes. As most Security Service Federal Credit Union branches perform 30,000 transactions each month, obtaining 250 signatures is clearly facilitated. Recognizing that potential abuse by special interests could easily paralyze the credit union via constant requests for records on matters that are often necessary for safe and sound operation, at times unpopular with members (such as dividend rate changes, fees and charges, etc.), we respectfully suggest that signatures from at least 1% of the credit union's members be required without an established maximum number of signatures, in order for petitioners to gain inspection

11

Additionally, we note that the proposed rule provides that, within 14 days of receipt of a petition, a federal credit union must either allow inspection and copying of all requested material, or inform the petitioning party in writing why it is not able to do so. We believe that a requirement to permit inspection within 14 days of receipt of a petition is unnecessarily restrictive and inconsistent with the requirements of other regulatory agencies rules related to the handling of such requests. In our view, 30 days is a more appropriate time frame to accommodate a request to inspect credit union records.

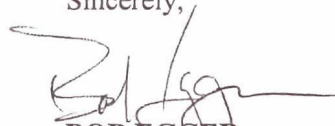
In closing, we recognize and reaffirm our commitment to the transparency rights of credit union member-owners to obtain necessary information regarding the actions of their credit, and we are certain that existing credit union bylaws, which include provisions for special meetings of members, facilitate a more appropriate forum during which high-level issues and related Board decisions can be discussed between the Board and interested credit union members. In addition to providing a process to effectively fulfill members' right to review and consider Board diligence and decision making, the provisions of existing bylaws clearly specify meetings of members as the proper forum to discuss such matters with a level of immediacy that is absent in the cumbersome, time consuming, and potentially disruptive process created by the proposed rule.

Existing processes promulgated by the bylaws, combined with the lack of example of their inadequacy, and the potential for abuse that the proposed rule could afford a small minority intent upon paralyzing a credit union, make a compelling case to leave existing rules and bylaws in place.

We respectfully encourage the National Credit Union Administration to withdraw the proposed regulation, or revise it with additional safeguards designed to guard against potential onerous abuse that could prove costly to the safety and soundness, and effective management of federal credit unions.

Thank you for considering the comments of Security Service Federal Credit Union. If you have any questions or require clarification, President & CEO David Reynolds is available at your convenience at (210) 476-4550.

Sincerely,



**BOB EGGER**  
Board Chairman

cc: Pamela Yu, Associate Director of Regulatory Affairs,  
National Association of Federal Credit Unions