



**New York State  
Credit Union League, Inc.  
and Affiliates**

"Serving and supporting credit unions since 1917."

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August 14, 2007

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

Via: E-Mail

RE: Incorporating Bylaws Into NCUA Rules  
(7535-01-U)

Dear Ms. Rupp:

On behalf of 500 credit unions represented by the New York State Credit Union League (NYSCUL), I would like to take this opportunity to support NCUA's proposal to reincorporate NCUA's Bylaws into NCUA regulations. This proposal would eliminate an increasingly important ambiguity in the existing regulatory framework and, in so doing, ensure that issues of importance to the credit union industry are represented when contentious bylaw disputes arise. NYSCUL also supports the proposal to expedite the approval of non-conforming bylaws.

The Federal Credit Union Act requires the NCUA to prepare bylaws that shall be used by federal credit unions and authorizes the agency to enforce these bylaws through charter suspension and liquidation. See, 12 U.S.C. 1758, 1766. Notwithstanding NCUA's explicit authority, in 1982 the NCUA decided to remove bylaws from its regulations and subsequently has taken the position that bylaw disputes are analogous to contract disputes with which it generally does not intervene and which are decided by state courts.

This existing interpretation not only needlessly restricts NCUA's ability to interpret its own bylaws, but creates the risk that the viewpoints of all members of the credit union industry will not be adequately represented when disputes arise. *For example*, if a dispute arises between a credit union's board of directors and its members with regard to the proper interpretation of its bylaws, the possibility exists that state courts will decide the issue not on the merits of the arguments but on the issue of whether or not the credit union members have standing to litigate the issue in the first place. Given this potential and the increasingly acrimonious disputes that are arising with regard to bylaw interpretation, it is crucial that NCUA give itself the ability to resolve such disputes through the regulatory process and clarify how its bylaws are to be properly interpreted.

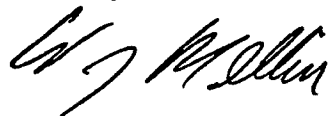
While we are in support of this proposal, NCUA should insure that the final rule strikes an appropriate balance between its current posture of largely refraining from intervening in bylaw disputes and drafting the regulations so broadly as to allow it to intervene in any bylaw dispute no matter how ancillary to the operation of the credit union and more importantly, the industry as a whole. In this regard, NYSCUL supports limiting NCUA's intervention to those areas

listed in the proposal , which that generally deal with the rights of members to participate fully as credit union members. However, regulators should predicate NCUA bylaw intervention on a showing that a bona fide dispute exists within the credit union.

In response to our request for comments on this proposal, our members reacted favorably to NCUA's proposal for expedited approval of nonconforming bylaws when members use language that has been approved and posted on NCUA's Web site since 2006. One member suggested that NCUA consider expanding this proposal to post nonconforming bylaw amendments that have been approved prior to 2006 provided, of course, that such nonconforming bylaws be consistent with existing NCUA bylaw requirements.

Once again, NYSCUL would like to reiterate its support for NCUA's proposal in this area. It represents an important reassertion of NCUA's authority and, in so doing, will foster consistency in increasingly contentious and important disputes regarding the use of bylaws by credit unions.

Sincerely,

A handwritten signature in black ink, appearing to read "W. J. Mellin". The signature is written in a cursive style with a large initial "W".

William J. Mellin  
President/CEO