

American Airlines
Federal Credit Union

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October 13, 2005

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

RE: Comments on FCU Bylaws

Dear Ms. Rupp:

OCT14'05 AM 9:07 BOARD

I am writing on behalf of American Airlines Federal Credit Union (AAFCU). AAFCU has over \$4 billion in assets, is the ninth largest credit union in the United States and has over 200,000 members located throughout the United States. I am writing in response to the National Credit Union Administration's (NCUA) request for comments (Proposal) regarding amending the Federal Credit Union Bylaws.

In our review of the Proposal, we believe that most of the proposed changes and the addition of the staff commentary will be very helpful to federal credit unions (FCUs). While the adoption of the proposed bylaws is not mandatory by FCUs, we believe that most credit unions will adopt the standard bylaws for ease and/or convenience.

Article II, Qualifications for Membership, Section 4, Continuation of membership – The Proposal amends this section to clarify that FCUs may restrict services or access to FCU facilities to members who cause a loss to the FCU or are disruptive to FCU operations. We would like to thank you for clarifying this issue.

To protect our members and personnel, we have always believed that disruptive members should have restricted access to our credit union. Similarly, for those members who have caused the credit union a loss, services should be restricted.

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Article IV, Meetings of Members, Section 3, Special meetings – The Proposal is recommending that 25 members or 5% of members up to a cap of 750 members file a written request before a chair is required to call a special meeting. While we believe that raising the cap from the original 500 members is a good step, we would recommend that the NCUA consider creating a process where the cap can be adjusted upward for credit unions with large memberships. This would ensure that special meetings, which can be expensive and disruptive, are called only for those issues that are of concern to the general membership.

Article V, Elections, Option A4, Section 2, (c)(2), Election procedures – The Proposal requires FCUs to mail paper ballots to all members when conducting an election by electronic means. If a member has opted to receive notices or statements electronically, a mail ballot should not be sent to the member. The requirement of a mailed ballot, defeats the whole purpose of electronic voting. Also, it would hinder credit unions from the option of offering electronic voting to its members since there would be limited cost savings due to the expense of postage and printing.

We would recommend that for those members who have opted to receive electronic notices or statements that all the notices and ballots be sent to them electronically. For those members who have not opted to receive electronic notices or statements, we would propose that only those members receive paper ballots.

Article VI, Board of Directors, Section 4, Vacancies – The requirement that a vacant board position must be filled “as soon as possible, but no later than the next regularly scheduled board meeting” is not practical for most credit unions. Most credit unions do not have a list of potential candidates and a list of candidates is not easy to gather. Selecting a director to fill a vacant position takes more than 30 days to complete. This may be due to factors such as lack of interest from the membership due to the position being a “volunteer” position, wanting certain competencies on the board, wanting a director from a certain employee or community group to fill the vacancy and the board or its Nominating Committee having to familiarize themselves with a pool of candidates through interviews and/or recommendations.

For example, although we have had one director opening on our 15-member board for about 6 months, the vacancy has nothing to do with our Nominating Committee’s efforts. The reason the position has not been filled is because although the Nominating Committee interviewed several candidates and was ready to put the candidate up for a vote, the Board decided that it wanted a candidate from a different group.

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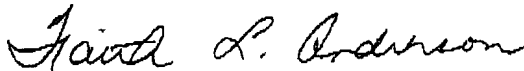
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By giving a mandate that a vacant director seat needs to be filled in 30 days, the NCUA would have a board scrambling to find a candidate and would inadvertently "force" a FCU to select any candidate who is not necessarily the best candidate just to "fill a seat on the table." It is best to not require a timetable on when a vacancy must be filled so long as the board is using "reasonable efforts" to fill the vacancy and is able to function.

Also, since our credit union does have a large board, our board is able to properly function notwithstanding the board vacancy. We would suggest that for very small boards that a 30-day mandate might be reasonable for them if the board is not able to conduct business due to the vacancy. Otherwise, we would recommend that the NCUA keep the original requirement of "within a reasonable time" to fill a director vacancy.

Thank you for all of your hard work on this Proposal. We believe that the staff commentary serves as a very useful guide and that most of the proposed changes will be beneficial to all FCUs. We appreciate the opportunity to comment on this matter. If you have any questions, please call me at 817-931-7004.

Sincerely,



Faith L. Anderson
Vice President & General Counsel

cc: J. M. Tippetts