



**CUNA & Affiliates**  
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October 12, 2005

Ms. Mary Rupp  
Secretary to the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314  
Filed Via: [regcomments@ncua.gov](mailto:regcomments@ncua.gov)

RE: Federal Credit Union Bylaw Revisions

Dear Ms. Rupp:

On behalf of the Credit Union National Association, I am pleased to submit CUNA's comments on the agency's proposal to update its Federal Credit Union Bylaws. By way of background, CUNA represents approximately 90% of the nation's nearly 8,900 state and federal credit unions that serve more than 87 million members. Our comments were developed under the auspices of the Federal Credit Union Subcommittee and in coordination with the Vice-Chair of the ABA Credit Union Governance Subcommittee.

### **Summary of CUNA's Comments**

- CUNA commends the agency for the thorough review of its bylaws.
- A credit union's bylaws remain a critically important document for the credit union, its members and its regulator.
- As such, credit unions should have flexibility to determine their own bylaws.
- CUNA generally supports the agency's efforts to improve the bylaws.
- However, there are some changes NCUA is proposing that CUNA is not supporting as proposed. CUNA is recommending several amendments to enhance those provisions that we believe are consistent with NCUA's objectives and with the ability of credit unions to make their own decisions. These changes concern: NCUA approval of bylaw amendments; the purpose of a credit union as stated in the bylaws; whether paper ballots should be mailed to members in an election conducted by mail ballot; the time frame for replacing board and committee members; the number of signatures required for a special meeting; and other issues.



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## **Discussion of CUNA's Comments**

CUNA commends NCUA for the thorough review of its bylaws. CUNA's Federal Credit Union Subcommittee reviewed the agency's proposal and held several discussions regarding its provisions and amendments. As stated by members of the Subcommittee, the bylaws of a federal credit union remain one of its most important documents. In many regards, the bylaws represent an understanding between the credit union and its members of how the institution will be operated. As such, the bylaws are significant not only for the credit union but also for its members, its board of directors, its management, and its regulator.

Because of the importance of the bylaws, CUNA has consistently maintained that credit unions should have flexibility to determine the contents of these documents, consistent with legal requirements, safety and soundness, fiduciary obligations, and the parameters of good corporate governance. We encourage the agency to continue its efforts to develop further changes to facilitate that result.

Regarding the current proposal, NCUA has devoted considerable time and effort to improving the bylaws, and we generally support the agency's efforts. However, there are some provisions NCUA is proposing that CUNA is not supporting at this time. These provisions include the following.

NCUA would require credit unions to seek approval for a bylaw amendment even if the agency has already approved the amendment for another credit union. This approach seems inefficient and requires steps on the part of the credit union and the agency that may not be necessary. Rather than requiring all federal credit unions to seek approval of bylaws amendments, we encourage the agency to make available on its website a list of the bylaw amendments it approves for credit unions and allow other credit unions to adopt amendments from that list without NCUA approval.

NCUA would restate the purpose of a credit union in Article I, Section 2. We agree with NCUA that the purpose of a credit union should be included in the bylaws. However, we encourage NCUA to use the language in the Federal Credit Union Act that lists the five basic characteristics of credit unions, which we believe provide a clear picture of what a credit union is and its purpose.

NCUA would require federal credit unions to mail paper ballots to all members when conducting an election by electronic means. To require federal credit unions to provide paper ballots to all members when the election is being conducted electronically seems to defeat the purpose of the use of electronic means. While we believe that federal credit unions should have the option to provide mail ballots to all members, a credit union should also have the option of adopting a bylaw that allows it to provide paper ballots only to those members who request such a ballot.

NCUA would require directors to fill vacancies on their boards, credit committees, and supervisory committees by the next regularly scheduled board meeting. Our Subcommittee and others felt this amendment was onerous and likely impractical in filling vacancies. CUNA supports the agency's objective, that credit unions share, which is to ensure essential positions within the credit union are filled on a timely basis. However, we believe the current language that allows vacancies to be filled within a reasonable time is more feasible.

NCUA would require the bylaws to include a provision for federal credit unions participating in the Community Development Revolving Loan Program that the report of the directors to the annual meeting must include information on the progress of the credit union in providing community services. This is a regulatory requirement that is important but may more properly be contained in NCUA's Rules and Regulations for Federal Credit Unions.

NCUA would change from 500 to 750 the number of signatures requirement for a special meeting. Previously CUNA has supported revising this number. However, our current Subcommittee discussed this provision at length and we recommend NCUA permit a more flexible approach than what is being proposed. We support allowing a federal credit union to have the option of retaining the current 500- signature threshold, moving it to 750 as NCUA is proposing, or adopting a bylaw provision that includes the required level of signatures is based on a percentage of its members, as determined by the credit union.

NCUA would require that the bylaws include a provision that the board is responsible for establishing a training policy for directors and volunteers. While the statement accurately reflects the board's responsibility in this regard, we question whether it is appropriate to include such a provision in the bylaws.

Thank you for the opportunity to comment on NCUA's proposal to revise the bylaws for federal credit unions. Please do not hesitate to contact me if you have any questions about our letter.

Sincerely,

Mary Mitchell Dunn  
CUNA SVP and Associate General Counsel