

September 12, 2005

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

Re: Federal Credit Union Bylaws

Dear Ms. Rupp:

Navy Federal Credit Union provides the following comments in response to the National Credit Union Administration's (NCUA) request for comment on proposed changes to the Federal Credit Union (FCU) Bylaws.

NCUA proposes a new introduction to address the general function of the FCU Bylaws and methods for amending bylaws. FCU Bylaws address a broad range of matters concerning a credit union's organization and governance, the relationship of the credit union to its members, and the procedures and rules a credit union follows. We support the new introduction. It explains that FCUs may adopt all or part of the FCU Bylaws. We believe this stipulation avoids the pitfalls of 'one shoe fits all' while maintaining the abilities of individual credit unions to enhance existing bylaws and preserve previously approved provisions that are best for their unique situations.

Navy Federal supports the proposed change to Article III, Section 7. The change would permit an FCU to choose whether it will allow a joint account holder to be a member without requiring a separate membership account. We believe this change is appropriate since it could result in fewer overall accounts and more efficient processing systems. Also, it retains flexibility for those FCUs with information systems that are not capable of recording multiple memberships associated with a single account.

We strongly support a practical democratic approach to credit union governance. Article IV, Section 3 proposes to increase the maximum number of signatures from 500 to 750 to call a special meeting of the membership. We agree with NCUA that special meetings may involve significant costs. Also, special meetings should not be called for inconsequential purposes. Special meetings may serve a valid purpose for many credit unions, but they may not effectively facilitate democratic governance at large credit unions. For example, it may be impractical to assemble significant proportions of widely dispersed members to participate in the democratic process at large credit unions. Consequently, if the purpose of a special meeting is to conduct credit union business, we believe the signatures of a percentage of the total FCU members should be required to call the meeting.

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We also believe the maximum number of members required to sign a petition for nomination should be greater than the current standard bylaw provision (Article V, Options A2 – A4, Section 1). NCUA increasingly places greater responsibilities on credit unions' governing bodies. Credit unions' boards of directors are routinely required to make difficult decisions on an extremely wide variety of complex issues involving legal and regulatory concerns, financial systems, economic principles, and broad managerial activities. It is imperative that qualified individuals are entrusted with these complex decisions. To assure that qualified individuals are considered, we believe that for large credit unions, the maximum number of signatures required to place a name in nomination should be significant. Again, we urge NCUA to require the signatures of a percentage of the membership to place an individual on a ballot for election to a governance position.

NCUA proposes to revise Article V, Section 7 to permit an FCU to insert the minimum age for a member's eligibility to vote and hold office. Currently, the bylaws require the board of directors to adopt a resolution establishing its minimum age. We believe the proposal is appropriate because bylaw requirements generally provide broader notice to members than a board resolution.

The proposed amendment to Article V, Option A4, Sections 2(c)(2), would require FCUs to mail paper ballots to all members when conducting an election by electronic means. Navy Federal supports this change and believes it will promote greater awareness and participation among FCU members.

NCUA proposes to amend Article VI, Section 4 to require FCU directors to fill vacancies on the board of directors, credit committee, and supervisory committee "as soon as possible, but no later than the next regularly scheduled board meeting." This would replace the current requirement that directors fill vacancies "within a reasonable time." We believe the current language of "within a reasonable time" is preferable. For example, in the event an accident or death the day prior to the regularly scheduled board meeting, an FCU would not have sufficient time to select and consider another qualified individual. If "within a reasonable time" creates significant problems, we believe NCUA should seek remedies with individual credit unions in the course of examinations or other appropriate times. We encourage NCUA to retain the current language.

Navy Federal appreciates the opportunity to comment on NCUA's proposed changes to the FCU Bylaws.

Sincerely,



Cutler Dawson
President/CEO

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