

Alabama Credit Union League



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August 25, 2006

VIA FACSIMILE
(703) 518-6319Ms. Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Dear Ms. Rupp:

On behalf of the Alabama Credit Union League, the 157 credit unions we represent, and the more than 1.5 million members they serve, I am pleased to offer our comments on Proposed Rule 708a, regarding conversions of federally insured credit unions to mutual savings banks.

In November 2005, the Board of Directors of the Alabama Credit Union League adopted its policy statement regarding conversion of credit unions to for-profit institutions. The policy states, in part:

"... We believe that all members of Alabama's credit unions, as owners, maintain the right to make any determination as to the continuation of their credit union. Because membership equals ownership in credit unions, members also have the right to determine the structure and operation of their credit union, including the right to convert to a non-credit union charter. We believe that the right of the membership of a credit union to make a decision regarding the structure and operation of a credit union can only be freely exercised if all members are fully informed of all aspects of such a decision. Any credit union leadership proposing a conversion from the credit union charter must completely and objectively inform the membership of their rights as credit union member / owners and the factual and potential impact the proposed conversion would have on their rights and ownership interests in the new institution."

It is with the preceding policy serving as guidance that we submit the following comments on the proposed changes to NCUA Rule 708a for your consideration.

Notice and Ballot

We support the proposed change providing members with an opportunity to submit comments to the credit union board prior to its vote on the proposed conversion, and to

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require the board to review the comments and post them on the credit union's website. The democratic principals that are unique to credit unions in the realm of financial institutions require more than the right to elect leadership. It also requires the ability to communicate in a public way with that leadership, and ensure that the opinions of those who are represented are taken into account. This is especially true in the event of so significant a decision as that of proceeding with a conversion. The requirement to allow comments to the board prior to their vote, and the accountability created by posting the comments on the website for all members to see, helps ensure the integrity of the democratic process that is such a valuable part of the credit union difference.

Required Disclosures

The Alabama Credit Union League enthusiastically supports the proposed changes to the content of the required disclosures, but we are concerned about the reduction in the requirements covering when the disclosures must be sent to the members.

The plain language requirement informing members of what a vote FOR conversion, and what a vote AGAINST conversion means is a very valuable component of the proposed rule changes. During a conversion process, members are bombarded with a significant amount of information, often times conflicting and confusing. The basic premise of the vote, without editorial "spin" on either side of the argument is a basic component of the knowledge required for an informed vote by the members.

Merely informing members as to what the vote is about does not provide all of the information they need to be fully and objectively informed of the consequences of the vote. The other side of the equation, the results of the proposed conversion, must also be fully explained. In addition to knowing that their vote is about whether their credit union will become a bank, members must be made aware of how their interests would be affected, and if there exists the possibility of other interests on the part of the leadership proposing the conversion. Therefore, the boxed disclosures relating to loan and savings rates and to potential profit by Directors and Senior Management is critical to the fair formation of a decision by each member. We urge you to adopt the required disclosures as proposed, with the language of the disclosure itself as written in the proposed changes to the rule.

While we support the changes to the form of the required disclosures, we are concerned about the change in delivery to members. We encourage the NCUA to maintain the current requirement of sending the disclosures with all conversion related communications to members. Prior to a conversion vote by the members of a credit union, the board and staff supporting the conversion will have numerous opportunities to communicate their position to members. If the purpose of the required disclosures is to ensure that members are given objective information regarding how their vote could affect their interest in their credit union, it would seem counter-intuitive to allow proponents of a conversion to present their argument on multiple occasions without the corresponding disclosures. While there is no way to guarantee that members read all relevant information regarding a conversion, and regulatory agencies should not get into the business of trying to ensure that they do, by keeping the delivery requirements as they currently exist, the rule could at least increase the chances that members will have the information that they need to develop their opinion.

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We would urge the NCUA to adopt the changes to the form of the required disclosures as proposed in 708a.4(c), while maintaining the delivery requirements as found in the current regulations.

Member Communication With Other Members

We support the NCUA's proposed language of 708a.4(f) allowing dissenting members the ability to communicate with the credit union membership. As we stated in our comments in the preceding paragraph, credit union leadership supporting a conversion has numerous opportunities to communicate their message to the full membership. Members wishing to maintain the credit union charter should have access to the other members to similarly communicate their message.

Undoubtedly, there will be those who argue that this provision is an unnecessary burden on the credit union, and will be used by a small number of members to disrupt the conversion process. This potential objection is not well founded, and the proposed requirement provides protection from such a consequence. As proposed, 708a.4(F)(1)(iii) protects against using requests to disseminate communications as a delay tactic, due to the timeliness requirements. Further, the requirement that the material be "proper" under 708a.4(F)(4), plus the right of the credit union to object to the NCUA Regional Director, found in 708a.4(F)(5), ensures that the materials are relevant to the issue of conversion, and that recourse is available to the credit union if they are not. Far from being a provision ripe for abuse by a small minority of members, with the safeguards built into the proposed rule, the critically important ability of both sides to make their case to the voters will be protected. We urge you to adopt this provision as proposed.

Conclusion

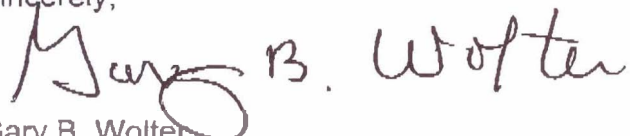
We believe that the changes to the conversion requirements as proposed under 708a are a balanced approach to ensuring that the right of credit union members to democratically determine the future of their credit union, while at the same time strengthening their ability to make an informed decision.

Some may argue that the rules proposed here are overly intrusive, burdensome, or perhaps even unnecessary. They may be expected to argue that similar requirements do not exist of other credit union decisions, such as switching between types of credit union charters, or choosing alternative deposit insurance. This, however, is not an accurate or even fair comparison. There simply is no other decision a credit union could ask its members to make that could have such a profound effect on the rights the members themselves have in the credit union. In no other form of financial institution do members have the rights of actual ownership. Even in mutual thrifts, both the Office of Thrift Supervision and numerous courts have determined that the "ownership" is a formality, and does not actually equate to actual rights. Actual ownership is a characteristic unique to credit unions, and a vote to convert requires members to use their vote to actually give up that very right. Rules governing this particular circumstance must rise to a level of ensuring fairness of process, and member protection that is higher than exists for any other credit union action. The decision to move away from the credit union charter ultimately rests with the members of the

credit union, but it is of such a serious and lasting nature, that nothing less than full and fair disclosure, presented as objectively as possible with ALL sides being heard, will allow the members to properly exercise their democratic power of credit union membership. We believe that the proposal as put forth for comment by the NCUA, with the exception we have noted in this comment, will make significant improvements in accomplishing that important objective.

Thank you for the opportunity to express our thoughts on this important matter.

Sincerely,



Gary B. Wolter,
President and CEO

Cc: ACUL Board of Directors
Mr. T. Glenn Latham, Administrator, Alabama Credit Union Administration