SECURITY SERVICE
ECURITY SERVICE FEDERAL CREDIT UNION

August 24, 2006

Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22341-3428

Subject: Security Service FCU Comments on Proposed Rule Part 708a

Dear Ms. Rupp:

We have reviewed the subject rule, and respectfully offer our comments for NCUA consideration. As we have communicated in our previous letters of November 23, 2003, and September 20, 2004, related to proposed conversion rules, we do not believe the proposed rule is necessary or appropriate. Current conversion rules have proven to be effective, indicating no need for the proposed change, as recent conversion attempts indicate that as many are unsuccessful as those that succeed.

Credit union Boards of Directors are elected by the members, and are trusted custodians of member interests. Consistent with all other matters and decisions faced by credit unions, these dedicated elected officials are uniquely qualified to make the most informed decisions that best represent the interests of members. Boards, through their active involvement in high level credit union management affairs, are familiar with requisite issues related to strategic planning, the marketplace, and chartering. This approach has proven successful, as credit unions are consistently recognized as the best way for consumers to meet their financial needs. This success is attributable to the flexibility provided to Boards of Directors to operate credit unions.

We believe NCUA should consider the possibility that strong business cases may exist for charter conversions, as competition from banks with access to huge sources of capital place credit unions at a considerable competitive disadvantage. Even in an instance where a strong and compelling business case exists, the proposed conversion rules are unnecessarily restrictive and burdensome, making future conversion attempts extremely difficult.

For example, consider the rules related to delivery of the ballot with the 30-day notice. The proposed rule allows the Board of Directors to recommend an affirmative vote with delivery of the ballot, but prohibits the credit union from providing any additional information, despite the requirement that the disclosure box and the qualified lender test must be included in the same mailing. NCUA has created a process where the credit union position supporting the conversion proposal is not allowed to stand alongside the disclosure that is designed to make members wary of any conversion proposal.

Additionally, NCUA's comments in the Federal Register indicate agency proclivity to take adverse action against directors whom, as determined by NCUA, did not fulfill their fiduciary role, and did not act in the best interest of the credit union and its members by proposing a conversion. This verbiage could serve to discourage even the most well-intentioned officials and executives from proposing a conversion, as the standards for fiduciary responsibilities would be left to the discretion of the NCUA. As with any issue, decision, or action addressed by credit union officials, their fiduciary roles are well-understood and acknowledged. Furthermore, Boards who pursue conversions are acting within their legal authority, as promulgated by the Credit Union Membership Access Act and NCUA Rules and Regulations. While the NCUA or other parties may disagree with the rationale for a particular conversion initiative, Boards are clearly empowered to pursue conversion activities. NCUA comments in the Federal Register regarding fiduciary responsibilities seem in excess of NCUA authority.

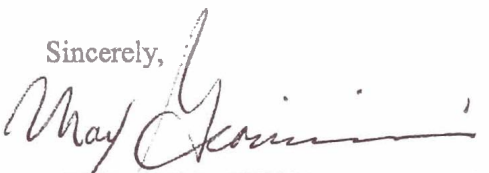
We believe that existing rules have proven sufficient. We understand NCUA's concern regarding recent credit union conversions, and we recognize that member disclosure is absolutely necessary; however, we will not support proposed rules that encroach upon the flexibility necessary for Boards of Directors to take actions they believe are in the best interests of credit union members. Just as we support the dual chartering system for credit unions, we continue to support the need for other charter options as well, and we respectfully disagree with existing and proposed conversion rules. Consequently, we request a more measured and equitable approach that is no more restrictive than charter conversion rules for other financial institutions.

When considered in sum total, the proposed rule makes credit union conversion to another charter form difficult at best, while rules applicable to charter conversions by other financial institutions facilitate a reasonable process under which conversion efforts stand a fair chance of success. Thus, by creating conditions under which member consideration of charter conversions would be excessively protracted, the rule is certainly "more restrictive."

We respectfully suggest that the NCUA focus on improvements to the federal charter to address concerns and conditions that enhance credit union competitiveness in the marketplace. Such issues exist, and, in actuality, are the most likely reason that charter conversions are contemplated.

Thank you for considering the comments of Security Service Federal Credit Union. Although our comments are critical of the proposed rule, we are cognizant of your dilemma in trying to regulate a thorny issue. We have no current intentions to apply for a conversion; nevertheless, we believe we must provide you with our honest opinions even when they are contrary to your proposals. If you have any questions or require clarification, President & CEO David Reynolds or I are available at your convenience.

Sincerely,



MAX GIOVANNINI
Chairman of the Board

cc: Dan Mica, President & CEO, Credit Union National Association
Fred Becker, President & CEO, National Association of Federal Credit Unions
Richard Ensweiler, President & CEO, Texas Credit Union League