

Jordan, Sheron

From: _Regulatory Comments
Sent: Tuesday, August 29, 2006 9:15 AM
To: Jordan, Sheron
Subject: FW: Truliant FCU's Comments on Proposed Rule Part 708a

From: Clark, Joe [mailto:Clarkj@truliantfcu.org]
Sent: Monday, August 28, 2006 8:55 PM
To: _Regulatory Comments
Cc: mdunn@cuna.com; regaffairs@nafcu.org
Subject: Truliant FCU's Comments on Proposed Rule Part 708a

August 26, 2006

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

Re: Comments on Proposed Rule - Part 708a

Dear Ms. Rupp:

I am writing on behalf of Truliant Federal Credit Union in response to NCUA's notice of proposed rulemaking on the conversion of credit unions to mutual savings banks. Truliant Federal Credit Union is a \$1.1 billion multiple common bond credit union serving over 170,000 members in and around North Carolina.

Truliant has been a consistent advocate of transparency in the conversion process and supports any efforts to better inform member-owners of the consequences of conversion from a credit union to a mutual savings bank. Truliant also supports rules that enhance members' understanding of a conversion from a credit union. The proposed rules would allow credit union members to make a more informed choice when their credit union is considering a conversion. Comments on specific sections of the proposed rule are discussed below.

Board of Director Approval

A fundamental tenant of corporate law is the board's duty to act in the best interest of shareholders or member-owners in the case of a credit union. We agree with the requirement that the board determine that a conversion is in the best interest of the credit union prior to voting to convert. We believe too many converting boards have forgotten this overarching duty to the member-owners when considering a conversion proposal.

Advance Notice of Intention of Board Vote

8/29/2006

Before a board votes on conversion, it should consider whether the membership will support the conversion. The best way to accomplish this is to announce the conversion to the membership at least 30 days prior to a scheduled board vote. We agree that early notification to the members may save the credit union substantial time and expense if the membership feedback during this period convinces the board that the conversion vote would not pass.

Simplified Box Disclosures

We support the use of a separate document to emphasize important information contained in the conversion disclosures required by the regulation. By requiring a separate sheet of paper with no other text and placing it as the second page of the documents behind the cover letter, more members are likely to read the important information. The proposed rules would simplify the order and prominence of the 60 and 90 day disclosures as well as the 30 day disclosure and ballot. We also support the proposal to clearly spell out what a vote “for” or “against” means in the context of the conversion and that voting for conversion specifically indicates what the credit union is converting to, namely, a bank.

Members Communications with Other Members

The proposed rule calls for the ability of members to communicate with other members through the credit union after the board has approved the conversion. We agree that this option should be available but feel the process proposed that includes the possibility of appeal to NCUA and delay of the membership vote would be cumbersome. The second alternative outlined in the proposal would allow the members to prepare the mailing materials and the credit union would affix a mailing label (still at the expense of the members mailing the materials). NCUA could certify to the credit union that the communication is relevant to the conversion and not a personal attack before it is submitted to the credit union for mailing. We think this would be a much simpler process that would better strike a balance between the protection of member data and a member’s reasonable request for information.

Member Access to Credit Union Books and Records

The proposed rule adds a new section regarding member access to books and records of the credit union. The section reiterates what NCUA has established in the past, which is a member’s right to access the books and records of the credit union is derived from state law where the credit union is located or chartered. We agree that it would be helpful to have this provision stated in the conversion regulation since a conversion is one of a few events that would trigger a members' interest in the books and records of the credit union.

Voting Guidelines

The proposed rule also provides voting guidelines on incentives to the membership to participate in the vote. The proposal states that a credit union should make it clear to the member that the member’s chance of winning the incentive is not enhanced or reduced by how the member votes. To prevent member confusion we suggest NCUA require the information about the incentive be physically separate from the recommendation for the board to approve the conversion. In other words, the incentive information should not be allowed on the cover letter of the information packet being sent to the member.

To summarize, Truliant Federal Credit Union supports a conversion process that is done in the best

interests of a fully informed membership. We believe most of the proposed changes to the conversion rule will accomplish this goal.

We appreciate the efforts made by NCUA thus far in the rulemaking process and hope that the comments provided from Truliant and other credit unions will further enhance the process. Please call me at (336) 659-1955 if you have any questions.

Sincerely,

/s/ Marc Schaefer
President/CEO
Truliant Federal Credit Union