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Florida Credit Union League
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August 28, 2006

JoAnn Johnson, Chairman
National FCU Administration Board
ICO Mary Rupp, Secretary to the Board
1775 Duke Street
Alexandria, VA 22314-3428

Submitted VIA <mailto:regcomments@NCUA.gov>

RE: Comments on Proposed Rule Part 708a

Dear Chairman Johnson:

The Florida FCU League (FCUL), representing over 175 of Florida's credit unions, appreciates the opportunity to offer our comments on the National Credit Union Administration Board's action to amend or issue regulations. The FCUL appreciates the opportunity to comment on the recent NCUA Board's Proposed Rule Part 708a.

The FCUL polled our member credit unions on this proposal and have included their thoughts and concerns on this matter with our response. The FCUL and its member credit unions strongly support NCUA's proposal in this matter.

The FCUL remains very concerned with the trend for credit unions to convert to mutual savings banks (MSBs). We are convinced that, in almost all of the conversions, the member owners of the converting credit union do not fully understand the full ramifications of such a decision. They don't fully understand the tax implications, the potential adverse impact a conversion may have on their ownership rights, the strong potential for higher fees and higher service costs, or the financial advantage that a conversion might mean for officials and management.

The FCUL is concerned that, in most cases, the underlying motivation for conversion is the potential for personal financial gain for officials, management and other selected insiders. We believe an inherent conflict of interest exists in almost all conversion decisions. Officials are subjected to making a decision that has the likely potential of affecting their pecuniary interest. A conversion will, in all probability, change the legal limits on an official's compensation; and, the probability of a conversion to a stock institution carries a high potential for personal profit. Therefore, we are also concerned that the officials of such conversions may have abrogated their fiduciary duty to place the interest of the credit union and its members before their own personal interest. We also have concerns with the third party consulting firms and attorneys who are actively promoting and soliciting credit unions and officials to convert and the lack of oversight of their activities.

FCUL Supports Proposal

The FCUL strongly supports this action and believes the proposed rule will provide for improved communication with the member-owners of a credit union pursuing conversion concerning their rights and ramifications that may result from a conversion.

We hope the following comments might assist the Board on this important decision.

Comments

708a.4 (a) Disclosure and Communication with Members

Delivery of Ballots

The FCUL supports the change that mail ballots be included only in the last notice, 30 days before the vote. We believe it will insure that members are afforded the time to fully consider the facts and make a more informed decision prior to voting.

708.4(c) Member Disclosures

The FCUL supports these disclosure requirements.

708.4(d) Member Disclosures

The FCUL supports the disclosure requirement for Loan and Savings Rates. We believe the wording is sufficient to advise the membership of the potential impact.

However, it might be clearer if a disclosure of actual rate differences were provided based on the DataTrac data.

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We also support the disclosure for Subsequent Conversion to Stock Institution. However, we do not believe that it goes far enough, nor depicts the actual personal gain potential. We suggest that an actual, worse-case example be provided.

We believe the disclosure for Potential Profits by Officers and Directors also is insufficient. The disclosure should not limit itself to the potential for profit for a stock conversion but should specifically address the probability for increased management and personnel salaries as well as compensation for serving as an official. These should be supported by specific examples.

708a.4 (f) Member Communications

The FCUL supports NCUA's recommendations on member-to-member communication. We believe that it is imperative for members to be fully informed, as management generally uses the notification process to convince the membership to vote as they recommend. We also recommend that the rule require the board to have the credit union fund a reasonable number of member-to-member communications. Both sides of the question must be presented to the membership.

708a.13 (d) Voting Incentives

The FCUL believes that all giveaways or incentives should be banned. This is nothing but a subterfuge - an attempt by directors and management to convince members to vote for the proposal. This practice would never be allowed in a corporate arena or a public election.

Thank you for allowing us to share our comments. We always appreciate the NCUA Board's decision to give credit unions, associations and others an opportunity to participate in the regulatory process. We hope the NCUA Board finds our comments useful in evaluating their action on this proposal.

Sincerely Yours,

A handwritten signature in black ink that reads "Guy M. Hood". The signature is written in a cursive style and is positioned to the left of a vertical red line.

Guy M. Hood, President/CEO
Florida FCU League, Inc.

cc: Mary Dunn, Associate General Counsel CUNA