



Credit Union National Association

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April 26, 2007

Regulation Comments  
Chief Counsel's Office  
Office of Thrift Supervision  
1700 G Street, NW  
Washington, DC 20552

ATTENTION: OTS-2001-0007

Re: Proposed Rule – Permissible Activities of Savings and Loan Holding Companies

To Whom It May Concern:

The Credit Union National Association (CUNA) appreciates the opportunity to comment on the proposed rule that will expand the permissible activities of savings and loan holding companies (SLHCs) to the full extent that they are permissible under the Home Owner's Loan Act (HOLA). The proposal will expand the permissible activities of SLHCs to conform with HOLA and will replace the absolute prohibition on certain SLHC transactions with a prior approval requirement. These transactions include the SLHC's acquisition of more than five percent of a non-subsidiary institution. CUNA represents approximately 90 percent of our nation's 8,600 state and federal credit unions, which serve 87 million members.

### Summary of CUNA's Comments

- In general, the proposed rule provides insufficient transparency in OTS's handling of SLHC applications to expand their activities. In particular, the public notice requirements that bank holding companies are required to comply with as part of the application process for engaging in additional activities should apply equally to SLHCs.
- OTS should undertake greater efforts to ensure that information regarding SLHC activities and acquisitions is widely disseminated on a national basis to those in the financial services industry who are interested in following these activities.



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- The provisions that allow the Office of Thrift Supervision (OTS) to decide if a meeting is necessary with regard to a specific acquisition transaction should be changed to require such a meeting, especially if a commenter objects to the transaction.

## Discussion

The current OTS rules allow SLHCs to engage in many of the activities that are permitted for bank holding companies. This is outlined in 12 CFR § 584.2(b)(6), which also requires SLHCs to comply with the procedural requirements that apply to bank holding companies. The proposed rule will replace this with a statement that SLHCs will be permitted to engage in all activities that are permissible for bank holding companies, without referencing the procedural requirements.

The procedural protections that apply to bank holding companies serve important public policy purposes. For instance, certain bank holding company activities are subject to a public notice and comment process, and we believe this should also apply to SLHC activities. Public notice and comment provides needed transparency for certain types of transactions and ensures that the views of all the interested parties are represented. Therefore, we believe the reference to these requirements should not be deleted, and the rules should clearly state that SLHCs should follow the same procedural rules that apply to bank holding companies.

As for the acquisition transactions, the application process will be subject to the publication, public comment and meeting requirements, as outlined in 12 CFR Part 516 of the OTS rules. We fully support a process in which there is a publication, public comment, and a possible meeting with OTS with regard to specific applications.

Subpart B of 12 CFR Part 516 requires the public notice to be published in the community in which the acquired institution is located and, if applicable, the community in which the home office of the acquirer's largest subsidiary savings association is located. CUNA believes that OTS should undertake greater efforts to ensure that information regarding SLHC activities and acquisitions is widely disseminated on a national basis to those in the financial services industry who are interested in following these activities and that such an approach should apply for all transactions that OTS is required to approve.

Greater efforts from OTS to provide this information to a wider audience would increase the transparency of these types of transactions. CUNA believes transparency is critical in all types of transactions that would significantly affect financial institutions. A similar example would be transactions in which a credit union pursues a conversion to a mutual savings banks. CUNA's position is that although the credit union structure is best for consumers in terms of

favorable loan rates, savings rates, and its democratic structure that permits each credit union member with an equal vote, CUNA also respects the credit union management's right to pursue an alternative structure if it will better serve the members' needs. However, CUNA firmly believes that the decision to convert, and the benefits of the conversion for the members, must be clearly disclosed in a manner that will allow members to carefully consider whether the conversion would be appropriate.

The same transparency should also apply to these SLHC transactions, as well as all SLHC transactions that are currently subject to these types of procedural requirements. The entire financial services industry should be made aware of these types of transactions. This would be helpful for the industry in order to identify trends with regard to these types of transactions and to gain a better understanding as to how these transactions are analyzed and approved by OTS.

We are also concerned with the OTS meeting provisions, as outlined in Subpart D of 12 CFR Part 516. These provisions allow OTS discretion as to whether it would be appropriate to meet with the applicant and other interested parties with regard to a specific application. We believe such a meeting should be mandatory, especially if a commenter raises an objection to the specific transaction and all commenters should be invited to the meeting. These meetings are important in order to adequately discuss and address how these transactions benefit consumers, affect competition, as well as other factors that may not be addressed in the written documentation. Again, we believe this suggested change should apply to all transactions that OTS is required to approve.

Thank you for the opportunity to comment on the proposed rule that will expand the permissible activities of SLHCs. If you or other OTS staff have questions about our comments, please give Senior Vice President and Deputy General Counsel Mary Dunn or me a call at (202) 638-5777.

Sincerely,



Jeffrey Bloch  
Senior Assistant General Counsel