April 21, 2008

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

Dear Ms. Rupp:

Dear Ms. Rupp,

Gesa Credit Union is pleased to have the opportunity to comment on the NCUA's advanced notice of proposed rulemaking on Parts 708a and 708b of the NCUA rules on behalf of its 75,000 members. Gesa is a state-chartered credit union located in Washington state.

Gesa Credit Union knows and appreciates the NCUA's role in regulating credit unions to preserve the safety and soundness of the system. Gesa, however, would like to point out that more regulation does not necessarily mean that credit unions will be more safe and sound. In fact, frequently quite the opposite is true. In today's changing economy, credit unions need the flexibility to respond to new and different member needs quickly. The economic environment will also mean that financial institutions generally will be subject to more regulation this year, over and above the regulations that have recently been promulgated and are not yet in effect.
[credit union] would like the NCUA to halt the rulemaking process regarding the issues raised in this ANPR, to give credit unions a much needed breather from new regulations.

The NCUA asked for comments on rules for credit unions seeking to convert to charters other than mutual savings banks. Currently these types of conversions are dealt with on a case-by case basis. Rules standardizing this process would be helpful. These rules should focus on clear communication to the members and a fair assessment of the value of each member's equity in the credit union.

Regarding dividends in unequal net worth merger situations, Gesa would like to maintain flexibility. Credit unions can have unequal net worth, but because of the quality of their assets and liabilities, actually be much closer in value than indicated. Requiring a dividend be paid to the members of the higher net worth credit union can result in an unequal distribution of the surviving credit union's equity. This issue would be best addressed in guidance, leaving the actual merger agreement to the credit unions in question.

Communication with members when a change in charter or a merger is contemplated should be a clear and unambiguous as possible. Members need to understand exactly what the change will do in order to make an informed decision. Requiring credit unions to disclose plans for branch closings or service level changes, however, will put credit unions in a tough position. Plans change. The business realities post-conversion are sometimes quite different from the projected ones before the conversion.
These disclosures would have a short term value at best, and be an endless source for litigation and conflict at worst. Instead, the NCUA rules should be a more general one requiring full, fair, and not misleading disclosure.

Finally, Gesa believes that it would be detrimental to allow any credit union member to request a formal recount of any vote where the margin of decision is narrow. Instead of allowing any member to request a recount, this power should be housed with the losing side of the vote. For example, with a board election, only the losing candidate should be able to request a recount, not any member.

Thank you for your consideration of Gesa's comments. We appreciate the chance to provide early input in the rulemaking process.

Sincerely,

Christina C. Brown