

**Illinois Credit Union League**

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***VIA E-MAIL TRANSMISSION***  
***regcomments@ncua.gov***

April 30, 2008

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

Re: Comments on Advance Notice of Proposed Rulemaking for Parts 708a and 708b.

Dear Ms. Rupp:

The Illinois Credit Union League represents over 400 federal credit unions and federally insured state-chartered credit unions in Illinois. We are pleased to respond on behalf of our member credit unions to the Advance Notice of Proposed Rulemaking (“ANPR”) for Part 708a and Part 708b of NCUA’s Rules and Regulations.

The NCUA requests comments on whether additional regulations should be implemented with respect to credit union mergers, conversion from a credit union charter, and termination of NCUA share insurance (due to conversion to private share insurance or merger with a privately insured credit union).

We oppose any of the additional regulatory burdens discussed in the ANPR. Since 2003, there have been three separate regulatory initiatives imposing additional requirements regarding merger or conversion to private share insurance. Additional regulation of mergers or conversion to private share insurance is not required.

The ANPR proposals seem to be a continuation of a recent unwelcome trend towards unnecessary additional regulation (e.g., incorporating the standard bylaws into the NCUA Rules and Regulations) and the imposition by over-zealous examiners of unreasonable standards that substantially exceed the requirements set forth in the Rules and Regulations and other written guidance.

Most of the issues set forth in the ANPR concern problems occurring in a credit union's conversion to or merger with a mutual savings bank ("MSB") or other financial institution that is not a credit union. The ANPR provides examples of such problems and then indicates that the problem could also happen in a merger with another credit union or a conversion to nonfederal insurance.

Since most of NCUA's concerns are in connection with conversion from a credit union charter, it may be appropriate for NCUA to issue a separate ANPR regarding conversion to a financial institution that is not a credit union.

Additional regulations addressing merger with another credit union or conversion to nonfederal insurance are not warranted.

#### Merger with another Credit Union

With regard to credit union mergers with other credit unions, we are strongly opposed to any new rules on the issues set forth in the ANPR, including required equity distributions or restriction on communications with members. (We note that equity distributions are addressed in the NCUA merger manual. The NCUA merger manual and merger forms require disclosure to the NCUA and state regulator (if applicable) of any plans for a bonus dividend. In addition, the NCUA notice of the impending membership meeting to vote on the merger, sent to all members, includes a statement of whether any share adjustment will occur and the reasons why there should or should not be such an adjustment.)

#### Conversion to Nonfederal (Private) Share Insurance

The provisions of Part 708b regarding conversion to nonfederal share insurance include—

- Submittal to the NCUA Regional Director of a copy of all communications sent to the members regarding the conversion.
- Required disclosures on every communication to the members regarding the conversion. The disclosure must be set apart from the text of the communication, in boldface capital letters, and in a font larger than any other text. The disclosure must include the following statement, "If the credit union converts to private insurance and the credit union fails, the federal government does not guarantee that you will get your money back."
- A similar disclosure must be included on the notice of membership meeting and the merger ballot (also set apart, and in boldface capital letters).
- At least 20% of the members must participate in the vote.

Ms. Mary Rupp  
ANPR for Parts 708a and 708b  
April 30, 2008  
Page 3

NCUA has not suggested that there has been any inappropriate communications to members regarding insurance conversion since the adoption of the current regulation. Given the all-encompassing scope of the current insurance conversion rule, no additional regulation is needed.

Director's Fiduciary Duties

While we believe additional regulations are unwarranted, we endorse the Credit Union National Association's offer to work with the NCUA to develop carefully crafted and circumscribed guidelines that address the appropriate scope or standard of the fiduciary duties of board members.

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We appreciate the opportunity to respond to NCUA's Advance Notice of Proposed Rulemaking on mergers, conversion from a credit union charter, and conversion to private share insurance. We will be happy to respond to any questions regarding these comments.

Very truly yours,

ILLINOIS CREDIT UNION LEAGUE

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