



United Nations Federal Credit Union

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Via Electronic Mail
regcomments@ncua.gov

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

Re: Comments on Advanced Notice of Proposed Rulemaking for Parts 708a and 708b (the "ANPR")

Dear Ms. Rupp:

On behalf of the United Nations Federal Credit Union ("UNFCU"), I am pleased to respond to the National Credit Union Administration's ("NCUA's" or the "Agency's") request for comment regarding mergers, conversion from credit union charter and account insurance termination.

UNFCU appreciates the level of commitment the Agency has shown in its consideration of the important fundamental member issues contemplated in the ANPR. However, for a number of reasons cited below, UNFCU believes that additional regulations in the areas contemplated by the ANPR are not warranted absent a statutory mandate to do so.

On three separate occasions since 2003 the Agency has reviewed, revised, and amended Part 708 with the most recent revision taking effect in 2006. With multiple changes to Part 708 having been fully vetted over recent years, it is our view that the regulations currently in place are adequate, and provide a proper working mechanism to protect member interests in transactions involving the fundamental changes in the ownership, governance and/or structure of their credit union.

A credit union's most fundamental element is its democratic structure and the ability of the member-owners to elect governing representatives, and vote on critical matters affecting the future of the credit union. UNFCU is convinced that the implementation of additional regulations in this area, especially those contemplated in the ANPR, would not only result in a chilling and adverse affect

on the democratic process within a credit union but could ultimately lead to an erosion of this fundamental aspect of credit union ownership. UNFCU shares the views of The National Association of Federal Credit Unions (“NAFCU”) who wrote in their comment letter to the ANPR:

“. . . that federal credit unions should have the ability to fully exercise their business judgment to merge or convert should it be in the members’ best interest. And while we recognize transparency in the process is crucial to ensuring that interests of the members remain paramount in any decisions to enter into a merger or conversion transaction, NAFCU is concerned that additional regulation may have a chilling effect on the right of federal credit unions to make reasonable business decisions to benefit their members.”

Should NCUA choose to move forward with a rulemaking, UNFCU would like to offer the following comments with regards to specific sections of the ANPR.

FIDUCIARY DUTY

The ANPR contemplates an additional regulation to prescribe the specific “standard of care” a director owes the credit union in cases where the structure or ownership of the credit union is at issue. The law is very rich and settled with regards to this issue through statute, regulation, case law and long-established business practice. UNFCU believes there is no compelling reason for NCUA to try to improve on this recognized standard by attempting to draft its own definition. Any such attempt, we believe, would be fraught with complications and create uncertainty where there was none. It is impractical to attempt to codify every responsibility of a fiduciary in every situation and as such, UNFCU is not supportive of any attempt to do so.

MEMBER COMMUNICATIONS

UNFCU supports the Agency’s view that: “communications to members regarding the risks and benefits of the transactions must be accurate, sufficiently comprehensive, and not misleading.” Given that the current regulations require that all communications must be accurate and not misleading, we question the need for additional regulation.

UNFCU is strongly opposed to requiring a disclosure which expressly states that: “NCUA has not endorsed the transaction.” In our view, such a statement conveys a negative inference and is misleading on its face as members could easily misinterpret the disclaimer as implying that NCUA opposes the transaction. As the regulator and insurer, it is important that NCUA takes all steps to maintain neutrality in such matters and to avoid the appearance

of bias or partiality towards any particular position or outcome not directly related to the safety and soundness of the credit union. To that end, UNFCU would not however be opposed to a neutral disclosure statement requirement provided it was carefully worded to ensure there would be no influence either way on a member's vote.

Once again, thank you for your efforts and consideration of our comments. Should you have any questions or require additional information, please feel free to contact me directly via telephone at +1 347 686 6610 or by email to mjconnery@unfcu.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael J. Connery, Jr.", written in a cursive style.

Michael J. Connery, Jr.
President/CEO