perfect circle credit union

June 2, 2005

Proposed Rule for FDICIA Disclosures, Matter No. R411014
Federal Trade Commission/ Office of the Secretary
Room H-159 (Annex A)
600 Pennsylvania Avenue, N.W.
Washington, D.C. 20580

Secretary:

I am writing in opposition to your agency's proposed rule governing consumer disclosure requirements for privately insured credit unions.

Perfect Circle Credit Union, a state-chartered credit union in the state of Indiana in good standing, has been privately insured since 1989 and has been serving the Wayne and Henry County communities of Indiana since 1932. Since the passage of FDICIA in 1991, our members have been consistently informed of the fact that their share/deposit accounts are not federally insured. In fact, we are happy to tell them so as we believe firmly that the private insurance option is healthy for our membership and the U.S. economy as a whole.

Regarding disclosures in the event of a merger, we would like to share that over the years, three federally-insured credit unions have merged into our credit union -- one at the request of regulatory authorities. PCCU has found the merger process to be quite cumbersome but we have always attempted to comply with the acknowledgment of disclosure established under FDICIA following each merger as required by the regulatory agencies approving the merger. NCUA's regulations (Rule 708b), governing mergers of federally insured credit unions into privately insured credit unions, already provide for full and multiple disclosures to the consumer regarding his/her loss of federal share insurance if the merger is approved by NCUA, the membership and the state credit union regulatory authority. In fact, NCUA requires every member be given the chance to vote by mail or in person on such merger proposition, and that a majority of at least 20% of the membership of the merging credit union vote to approve the proposition for the merger to be approved. Even more convincing is the fact that after the merger is approved by all these parties, the members of the federally insured credit union are also given time to withdraw their funds if they wish, and without any penalties. This seems to be more than adequate notice of the absence of federal share insurance in a merger situation. Therefore, to refuse receipt of a merged member's deposit simply because we lacked a signed acknowledgment of disclosure, even though we comply with the other FDICIA disclosure requirements, is counterproductive to the purpose of the merger and damaging to the affected member's personal financial affairs.

With regard to the provision of your proposed rule that concerns the requirement that privately insured credit unions post a conspicuous notice stating that: "This institution is not federally insured." on its automated teller machines (ATMs), our credit union believes the rule proposed is far too broad and impractical. PCCU currently owns four ATMs located at our main office and branch facilities. As a member/owner in the *Alliance One*, our credit union participates in a

multi-state ATM network that provides our members access to their funds through over 3,400 ATMs nationally. As a participant in this network, we are required to allow customers of all participating financial institutions to use our machines, and other institutions are required to allow our members to use their ATMs surcharge free. This is an important benefit to our members and credit union members across the country. It allows institutions of our size to be competitive at the benefit of the consumer. Posting the required disclosure on our ATMs will only confuse the user, and not add anything to our members' awareness since they are fully advised of the absence of federal insurance when becoming a member. We generally do not support ATM disclosures but could support the posting be required solely on ATMs we own and that are housed within our main and branch offices.

Regarding the "all advertising" provision, PCCU urges the FTC to consider the dearth of marketing material used in the U. S. economy today. Clearly, it is impractical to post such notices where it is not physically conducive; such as pens, golf caps, golf shirts, etc. For example, it makes no sense to print a tee-shirt or golf shirt that displays "Perfect Circle Credit Union" on the front and a statement that "This institution is not federally insured." on the back. Also, a small pen barely provides enough space for the name of the credit union, yet alone, a statement regarding the form of share insurance. Also, to have a credit union post this disclosure on an outside building sign is anti-competitive and ineffective. Both the NCUA and the FDIC have established a list of deposit insurance disclosure statement exemptions similar to the situations cited. We would request that the FTC give due consideration to these regulatory exemptions/exclusions in finalizing its rule affecting privately insured credit unions (NCUA Rule §740 and FDIC Rule §328) and consider language requiring such disclosure only on printed or electronic materials (websites or broadcast media) that mention share or deposit accounts or deposit account rates. .

Thank you for considering this concern.

Respectfully submitted,

Lisa A. Dykhoff, CCE
President