Christian Community
CREDIT UNION

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Banking with a Christian Organization

June 1, 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:

Our credit union converted from federal share insurance to private share insurance, provided by American Share Insurance, in February, 1999. Since that time, we have made every effort to comply with the consumer disclosure requirements of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) as we understand them.

We are concerned over Section 320.5 of your agency's proposed rule governing acknowledgments of disclosure. For the FTC to require all existing members, at the time a credit union converts insurance, to sign written acknowledgments is impractical and impossible, a fact acknowledged by the U.S. Congress as evidenced by their 1994 amendment to FDICIA. Under the language of the proposed rule, our credit union would have been forced to refuse deposits from any member of record at the date of conversion who failed to sign such notices.

Upon becoming privately insured, we immediately moved to secure signed acknowledgments of disclosure from every member in accordance with the provisions afforded privately insured credit unions under 12 U.S.C. 1831t (b)(3)(C), which requires for the mailing of three sequential notices seeking signed acknowledgments in lieu of collecting signatures from 100% of our "current members." We felt this initiative complied with the "spirit of the law." In this process we mailed over 67,167 notices to our 22,389 members, and over the few months immediately following the conversion, received 5,000 returned signed acknowledgments. The approximate cost of these three mailers was $28,000.

As previously mentioned, in its amendment to FDICIA in 1994, Congress corrected the impossible task embedded in the 1991 law -- requiring the collection of signed acknowledgments from every member of a privately insured credit union. Even though we were not privately insured until February, 1999, we believed we should be afforded the same relief offered to privately insured credit unions operating in June 1994. In fact, FDICIA, as amended, makes no provisions whatsoever for credit unions converting to private insurance after the effective date of the law.

More importantly, the process mandated by NCUA for converting from federal to private share insurance is very thorough and requires no less than three separate and distinct written communications with members advising them of the consequences of the conversion proposition and their loss of federal share insurance (NCUA Rule 708b). NCUA's current conversion rule goes so far as to allow the members the right to close time accounts prematurely without penalty if the credit union converts to private share insurance.

NCUA requires a converting federally-insured credit union to provide every member a paper notice and ballot allowing for a mail vote; hold a special meeting of the membership to vote on the proposition; and that no less than 20% of the membership vote on the proposition for it be valid. The conversion regulations dictate that specific and conspicuous disclosure be included in both the notice and ballot, indicating that the conversion would result in the loss of federal deposit insurance.

Clearly, these extensive disclosures inform the member of the insurance conversion vote and meeting; the date of conversion; their rights to withdraw money penalty-free; the fact that private share insurance is not backed by the federal government and should the institution fail, the federal government will not guarantee the depositor will get their money back; and more. Therefore, to require 100% compliance on signed consumer acknowledgments would add nothing more to the disclosures, would be impossible to achieve, would require that we cease relationships with otherwise good members that do not respond, and would absolutely cease any future conversions from federal to private insurance from occurring. This requirement would effectively eliminate the private share insurance option available in many state statutes.

Given the lack of regulatory guidance by the FTC over the last 14 years, we feel the time period for all forms of compliance with the acknowledgment provisions should commence with the future effective date of any rule promulgated by the FTC.

Thank you for your consideration.

Respectfully submitted,

John T. Walling
President/CEO