

Coalition for Credit Union Charter Options

Lee Bettis
Executive Director

August 17, 2006

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

Dear Ms. Rupp:

Re: **Comments by Coalition for Credit Union Charter Options on Proposed Rule Part 708a**

We appreciate having the opportunity to present our comments to the Members of the NCUA Board concerning Proposed Rule Part 708a regarding the Conversion of Insured Credit Unions to Mutual Savings Banks.

The Coalition for Credit Union Charter Options is opposed to the entire set of new conversion rules. At a time when NCUA is clearly in violation of Congress' statutory intent in H.R. 1151, these newly proposed rules represent more egregious over-reaching on the part of your agency. They grossly exacerbate NCUA's already considerable abuse of its regulatory power – an abuse that prompted the recent hearing on H.R. 3206 introduced by Rep. Patrick McHenry of the House Committee on Financial Services.

The administrative latitude given to NCUA by Congress in 1998 came with strict limits. Your rules for governing conversion votes were to be “no more or less restrictive than those rules that apply to charter conversions by other financial institutions.” After a third re-write in the past three years, adherence to that mandate – if it *ever* existed – is now a distant memory.

With Part 708a, you have chosen to burden further an unreasonably burdensome process, creating a minefield of uncertainty for a converting institution and intimidating others from even trying. There can be no other justification for rules such as the one that gives unregulated radicals the power to insert themselves – like a monkey wrench – into the communications mix between a credit union and its members.

Rather than pay heed to Congressional backlash, it appears to us that NCUA seems willing to taunt its legislative masters, and flaunt its bristling independence. It's a dangerous gambit in the face of recent Congressional displeasure, punishing court decisions, and legal setbacks in disputes over field-of-membership, underserved markets and other chartering issues.

In our opinion, the agency is setting itself up for further embarrassment and losses. Urged on by the federal and state trade associations, NCUA's unwisely capricious administration of charter conversions has damaged the credit union industry's chances for regulatory relief and other legislative objectives. It seems to us to be a heavy price to pay to stop a handful of conversions.

We think it was Will Rogers who said, "The first thing to do when you find yourself in a hole is stop digging." The changes proposed for Part 708a amount to digging a much deeper hole. In the circumstances, they are indefensible. And they provide us and other opponents with an even stronger case for litigation against the over-stepping by NCUA of its lawful mandate.

Yours truly,
COALITION FOR CREDIT UNION CHARTER OPTIONS

Lee Bettis

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