

36

August 21, 2006

AUG 23 '06

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

Re: Wings Financial Federal Credit Union Comments on Proposed Rule Part 708a

Dear Ms. Rupp:

On behalf of the leadership team of Wings Financial, we appreciate the opportunity to share our thoughts and concerns about the proposed changes to the above referenced Rule and on related NCUA actions. In general, we believe both the current and proposed disclosure requirements imposed by NCUA are overreaching and beyond the scope of regulator responsibility for safety and soundness. These disclosures force credit unions to provide their members with an imbalanced presentation of a proposed charter change while limiting and controlling information. The required NCUA disclosures are neither full nor fair. Further, the proposed rules appear to be motivated by the self interests of NCUA's continuing as an entity rather than regulation intended to serve the public good.

Current Position

Wings Financial FCU was granted the first nationwide TIP FOM in late 2003 and is currently committed to serving employees of the U.S. air transportation industry. Our organization is geographically dispersed, primarily serving members in Minneapolis, MN; Detroit, MI; Memphis, TN; Seattle, WA; and Atlanta, GA. Significant resources have been dedicated to business development since being granted an expanded FOM. Wings business plans call for continued focus on membership growth through expansion/enhancement of services. Prior to applying for the TIP FOM the Wings Board of Directors carefully examined all other alternative charter options and decisively chose to continue to receive/purchase regulatory oversight from the National Credit Union Administration under a federal credit union charter. Our decision may have been different if we had foreseen NCUA over regulating our organization's future charter options.

37

On Credit Union Charter Options

While the Wings Board appreciates the membership and expansion opportunities granted with our TIP FOM, we are also very aware of the limitations. Like all prudent business leaders the Wings Board mandates alternative strategies be considered and prepared for execution in the event our current strategy is unsuccessful. Due to current NCUA restrictions, and the structure of Wings Financial, alternative strategies under either a federal or state credit union charter are limited and have been judged to be unattractive by the Wings Board. Although every effort is being made to succeed as an air transportation employee's credit union, we recognize that the current strategy may, at some time due to general lack of marketplace success, regulatory challenges, or legislative changes, cause Wings to choose another credit union charter, regulator and/or business model.

Many of the challenges and limitations faced by Wings are not duplicated at other credit unions, particularly those with community or SEG FOMs or at credit unions that primarily serve public sector employees. Any credit union that is single sponsored or has a TIP and is geographically dispersed should be very concerned about the growth opportunities available under the Federal Credit Union Charter since a "multiple communities" option is nonexistent. For Wings Financial FCU retracting to a single community thereby eliminating growth opportunities outside a single geographic area and letting our existing out-state offices simply "die on the vine" is unattractive. Wings Financial is aware that some state regulators may allow retention of previously granted FOM status while granting a single, large, community FOM. This option is somewhat attractive; however, it brings additional regulation, state sales and use tax, and retains all the limitations faced by both state and federal credit unions. This option would also put Wings Financial in a category of credit unions that have avoided real FOM limitations—painting a target on Wings for banker attacks, an outcome we do not desire. The leadership of Wings is therefore committed to maintaining the Mutual Savings Bank Charter as an exit strategy in the event Wings is unable to succeed as a TIP FOM.

Objections to the boxed disclosure:

1. **LOSS OF CREDIT UNION MEMBERSHIP.** While this disclosure clarifies the meaning of a vote "FOR" or "AGAINST", the title line clearly emphasizes the negative without identifying the positive aspect of obtaining membership in the new MSB. This statement should be modified to be full and fair or it should be removed.
2. **RATES ON LOANS AND SAVINGS.** This disclosure implies the credit union's current pricing is more attractive than competition and its future pricing will be less attractive than competition. Either or both may be false. More importantly the latter requires pure conjecture as to future pricing decisions. This disclosure also implies product pricing is influenced by regulators. In a free market economy the market place determines pricing. Requiring this disclosure suggests otherwise. The boxed statement regarding potential degradation of rates should be removed as it is an unfair, speculative, and imbalanced statement.

38

3. **POTENTIAL PROFITS BY OFFICERS AND DIRECTORS.** While we agree with the required disclosure it is again a very one sided statement apparently designed to alarm the reader. A full and fair disclosure would also call attention to members/owners having no means to monetize their equity value in a credit union short of liquidating the institution.. This statement should be modified to be full and fair or it should be removed.

Additional Concerns

Advanced notice to members that the CU Board intends to Vote on a Conversion appears to be protective on the part of NCUA given that similar notice is not required for other board actions that have a material impact on the membership of a credit union. Change to a State Charter, change in FOM, closing and opening offices, infrastructure investment, pricing philosophy, and dividend declarations all have material impact on members perceived value in their membership- perhaps individually, and in combination, more impact than is identified as the material state differences between credit unions and MSB's on page 19 of the proposed Rule. We believe advance notices of any of the above mentioned actions, including a vote on a conversion is an unnecessary regulatory burden, undermines a board's authority and subjects the decision making process to unproductive political pressure from limited numbers within the membership. The Wings Financial leadership team believes similar statements can be made about the proposal to disseminate information from a single member or small group of members, and regarding access to the books and records of the credit union. Why would NCUA identify these provisions as necessary during a potential MSB conversion but not for other material governance actions?

We would like to remind the Agency that the "business judgment rule" is the time-honored rule with respect to the decisions of corporate (profit and non-profit) boards of directors. If a decision by qualified directors, on an informed basis, in good faith, without an abuse of discretion is made by duly-elected corporate leaders, courts, agencies and shareholders should not be allowed to change (or in this case preclude) the decision. Such decisions should be judged by the circumstances that the board is facing, and should be considered reasonable risks taken by directors in reaction to whatever changes in the corporate landscape may be presented (changing markets and/or emerging trends).

A board member's fiduciary duty is not fulfilled by blindly maintaining the status quo in the face of changing member behavior. A board member has an affirmative duty to disclose to the membership those opportunities that are in the best interest of the collective membership - including a change of regulator. We believe it would be a breach of fiduciary duty to recognize the avenue of a charter change, but simply not take that avenue because the regulator has made it too hard to travel.

One could dissect the proposed rule in excruciating detailed section-by-section, but that diverts attention away from some of the more basic tenets of corporate governance. The agency should acknowledge that it is taking a new course on monitoring what ought to be issues internal to the credit union.

39

In summary, the NCUA is using what the Wings Board considers to be alarmist tactics and over burdensome regulations to minimize the opportunities for credit union charter choice. The actions seem to be driven by self preservation as the client base shrinks. We urge NCUA to:

- recognize marketplace realities and financial institutions' need for alternative business models and charter choice;
- eliminate the unbalanced boxed language currently required;
- monitor conversions to assure that members are given full, fair, balanced and factual information;
- recognize that all decisions regarding governance and business structure come most appropriately from the duly elected board of a credit union, and those decisions should not be limited by one regulator in an effort to contain its client base; and
- focus on enhancing the Federal Credit Union charter as a method of maintaining or growing the agency.

Thank you for the opportunity to comment on the proposed conversion related regulations.

For the Leadership Team at Wings Financial FCU,



Paul V. Parish
President/CEO