



August 28, 2006

VIA EMAIL

Ms. Mary Rupp, Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428
Proposed Rule Part 708a

Re: Proposed Rule on Conversion of Insured Credit Unions to Mutual Savings Banks, Part 708a.

Dear Ms. Rupp:

The Wisconsin Bankers Association (WBA) is the largest financial institution trade association in Wisconsin, representing approximately 300 state and nationally chartered banks, savings and loan associations, and savings banks located in communities throughout the state. WBA appreciates the opportunity to comment on the proposed rule regarding the conversion of insured credit unions to mutual savings banks or mutual savings associations.

The National Credit Union Administration (NCUA) has issued a proposed rule to revise sections of NCUA's implementing regulations 12 CFR Part 708a (Part 708a). The proposed rule seeks comment on revisions claimed to improve the information available to credit union members (Members) and credit union board of directors (Board) as each consider a possible conversion from a credit union to a mutual savings bank or mutual savings association (collectively, MSB). The changes include revised disclosures, revised voting procedures, and procedures for Members to provide their comments to the Board before it votes on a conversion plan.

WBA supports the rights of an organization to select the charter appropriate for its community's needs and promotes the importance of accurate disclosure. WBA believes, however, that this proposed rule is yet another masked attempt by NCUA to limit the ability of credit unions to choose the charter of their choice and is once again exceeding its statutory authority under the Credit Union Membership Access Act (CUMAA).

Part 708a was first adopted in 1995 and specifically addresses steps a credit union must take when considering a conversion to a MSB. Although NCUA has revised its conversion regulations three times in the past eight years, NCUA claims yet another round of changes are necessary in the conversion decision to further improve the flow of information between and among Members and the Board.

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While WBA does not oppose amendments to an existing rule that provide a greater level of clarity regarding such rule, we do not believe that this is the case with NCUA's current proposed rulemaking.

Instead, WBA believes the proposed rule is nothing more than a disguise to discourage and deter a credit union from exercising its right to convert to a MSB or, alternatively, an attempt by NCUA to impose procedural technicalities that could cause inadvertent errors in the credit union's conversion process and ultimately allow NCUA to halt the conversion process due to a minor technicality. While WBA is not aware that this level of technical scrutiny has yet occurred in a Wisconsin credit union conversion, WBA is aware that as recently as 2005, NCUA sought to halt the conversion of a Texas credit union merely on the technical assertion that a required disclosure was not folded properly. This action taken by NCUA simply illustrates the level NCUA is willing to go in an attempt to stop a credit union conversion despite separate majority votes by the Board and Members for such conversion.

Moreover, WBA questions why the NCUA no longer finds adequate its previous three rulemakings adopted in the past eight years? As noted earlier, the NCUA states its motivation is to increase the flow of information and protect Members; however, WBA believes the NCUA is instead motivated to make the process of conversion more onerous and thus less desirable to otherwise potential credit unions exercising their right to conversion into MSBs. Simply put, the NCUA does not want to lose more credit unions to conversions.

Because WBA does not believe NCUA's proposal will carry out its purported goal and will cause unnecessary burden to credit unions considering conversion, WBA vehemently opposes the proposed rule in its entirety and particularly wishes to provide the following comments on specific provisions contained in the proposal.

Part 708a.3: Board of Directors' Approval and Members' Opportunity to Comment

If a credit union desires to convert to a MSB, Part 708a.3 currently requires that the Board must approve a conversion proposal by a majority vote and set a date for the Members' vote. The proposed rule would require the Board to publish a 30-day public notice, at several required locations, indicating its intent to hold a Board meeting for the purpose of voting on a conversion proposal. NCUA purports this new notice is necessary so that Members may provide comment to the Board before the Board votes on the conversion proposal.

WBA opposes the new notice requirement and believes it to be unnecessary. The Board is already charged with the fiduciary responsibility to review every angle of the effect a conversion would have on the credit union and its Members. In preparing for its vote, the Board must understand: the complexity of such conversion; the effects of such conversion on operations, products and services; and how the conversion would affect the Members and the community. No evidence has been offered, nor has WBA found that in the past a Board has skirted its fiduciary responsibility on this or any topic requiring a Board's vote.

Importantly, one needs to remember that the conversion vote is a two-step process requiring a separate majority vote by both Board and Members. The Member vote

comes only after several disclosures are mailed to the Members and after several months time is given to Members to make, what NCUA's current regulations consider to be, an informed vote. WBA believes the new notice will confuse Members regarding their opportunity to vote, and does not improve the conversion process.

Part 708a.4: Disclosures and Communications to Members

Current Part 708a.4 requires that notices must be provided to Members at intervals of 90, 60, and 30-days before Members vote on whether the credit union should convert to a MSB. As part of the current 90 and 60-day notices, Members receive their ballot for the upcoming conversion vote. NCUA proposes the ballot for the Members' conversion vote, should now only be included in the 30-day notice purportedly to protect Members from making an uninformed vote. The proposal would also impose specific bold type and font size restrictions to the 90-day and 60-day notices regarding receipt of the ballot in the 30-day notice. In addition, the proposed rule requires each disclosure to be on a separate sheet of paper with no other text and must be placed immediately after the credit union's cover letter, but before any other information included in the notice.

WBA opposes all proposed changes to section 4 disclosure requirements and believes they are a perfect example of NCUA's attempt to deter a credit union from its desired conversion through stringent technical format requirements. That NCUA would impose such obstacles and unnecessary scrutiny merely demonstrates its intent to stop any credit union conversion to a MSB despite independent Board and Member vote in favor for such conversion. WBA believes NCUA has proposed such narrow format requirements to stop a credit union conversion in similar fashion as was demonstrated by NCUA in the 2005 Texas credit union disclosure folding battle. NCUA has no control over how a Member is to open, or in what order the Member will read, the mailed disclosures; so to propose requirements listing the order of enclosures for such mailings is merely obstructive. NCUA should instead promote the reading of each piece of paper included in the disclosure mailings to further improve the information between and among the Board and Members.

WBA is disappointed NCUA would propose to shorten the opportunity for any Member to vote on the conversion issue. But by requiring the ballot be included only in the 30-day disclosure notice, NCUA is doing just that. NCUA should instead be actively promoting a Member vote by as many Members as possible, at any time between the 90-day disclosure notice and the day of conversion vote. WBA believes that to limit the Membership vote to only 30 days before the special meeting will only discourage or reduce Membership participation in the conversion vote.

With respect to the contents of the Part 708a disclosures, WBA believes NCUA has once again overstepped its bounds authorized by CUMAA. CUMAA, adopted by Congress in 1998, reduces NCUA's role to only oversee the vote taken in the conversion process. Congress directed NCUA to not adopt rules that are inconsistent with charter conversion rules adopted by other financial regulators, or are more or less restrictive than those conversion rules of other financial institutions. All other financial regulators have adopted conversion regulations that require the agency which will regulate the converted institution to oversee the

content of the conversion disclosures as well as the conversion procedures, based upon that agency's own rules. Therefore, NCUA would monitor the credit union vote; however, the new regulatory agency of the converted credit union, (e.g. Office of Thrift Supervision), would control the substance and content of the conversion documents. As such, WBA struggles to find how NCUA has the authority to adopt many of the changes set forth in the proposed rule.

WBA opposes the proposed rule in its entirety because we do not believe it improves the information available to Members and Board. Rather, WBA believes NCUA's purpose is to create heavier regulatory and financial burden on a credit union in another bold attempt to deter credit unions from converting to a MSB. It is simply wrong for NCUA to place its own interests before the legitimate business interests of a converting credit union, in an effort to preserve the credit union status. For these reasons, WBA urges NCUA to withdraw its proposed rule.

Once again, WBA appreciates the opportunity to comment on the proposed rule.

Sincerely,

A handwritten signature in black ink, appearing to read "K. Bauer", written over a circular stamp or seal.

Kurt R. Bauer
President/CEO