

GC/RMM
11-1207R

TO: [],
Office of Consumer Protection (OCP)

FROM: Frank Kressman, Associate General Counsel

SUBJ: Proposed Bylaw Amendment — [] Federal Credit Union

DATE:

[] Federal Credit Union (FCU) has submitted a proposed bylaw amendment concerning its field of membership (FOM). You are inclined to deny the FCU's request because the proposed change would not accomplish the FCU's objectives and would limit the rights of future FCU boards. Under NCUA's Delegations of Authority, Supervision 12, OCP must obtain the prior concurrence of the Office of General Counsel (OGC) to approve or disapprove a request for a proposed bylaw amendment. We concur with your denial for the reasons discussed below.

FCU Request:

The FCU uses the revised 2007 NCUA FCU Bylaws. 72 Fed. Reg. 61495, 61500 (Oct. 31, 2007) (codified at 12 C.F.R. Part 701, Appendix A). The FCU seeks NCUA approval to amend a provision on FOM expansions in its current FCU Bylaws, Article XVII, Amendments of Bylaws and Charter, by adding the following new section:

Section 2. Field of membership amendments. Section 5 of the charter sets forth a specific description of the authorized [FOM] as approved by the [NCUA]. The description very carefully limits eligibility to persons enjoying a specific common bond based on a defined heritage. An amendment to the [FOM] description may be accomplished only by approval of fifty-one percent (51%) of members who are eligible to vote at the time a vote is conducted by mail ballots. Any such amendment also is subject to preliminary approval by the [NCUA] prior to voting by the members.

The proposed wording would add a new requirement that the majority of members voting approve an amendment to the FCU's FOM description. You have explained that the FCU board seeks the change mainly to limit the FOM to the []. In addition, the FCU board seeks to limit future boards from expanding the FOM to fuel rapid growth or advance personal interests.

We believe the change is overly prescriptive, limits the rights of future boards, and would not accomplish the current FCU board's goals. Any board that could vote to request an FOM amendment could also vote to change this proposed revised bylaw provision. In addition, the bylaws already prohibit a director from participating in the deliberation or determination of questions affecting personal interests.

Please contact Staff Attorney Regina Metz or me with any questions.