

August 28, 2006

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

**Conversion of Insured Credit Unions to Mutual Savings Banks**  
12 CFR Part 708a

Dear Ms. Rupp:

Maryland & District of Columbia Credit Union Association (MDDCCUA) appreciates this opportunity to comment on the National Credit Union Administration's (NCUA) advance notice of proposed rulemaking regarding Conversion of Insured Credit Unions to Mutual Savings Banks. MDDCCUA is the area trade association serving the needs of over 180 credit unions with a combined membership of over 2 million members.

**MDDCCUA Position**

MDDCCUA generally supports NCUA's regulatory provisions that are intended to protect the integrity of the Federal Credit Union system, and that specifically protect and preserve credit union members and the consumer friendly financial services that they are afforded.

In circumstances where credit unions desire a change in their charter we are committed to ensuring that members are fully informed about their legal rights and economic interests along with the consequences of such a conversion. We believe that the responsibility lies with each credit union's Board of Directors to clearly disclose the potential conflicts of interest involved in a credit union to bank conversion, including the potential for individual financial gain for board members and management staff of the credit union.

Other specific comments and suggestions appear below:

**Member Balloting and Communication Methods**

MDDCCUA would encourage the NCUA to permit the collection of electronic ballots, so long as the ballot can be properly authenticated. We believe that paper ballots, where a member signature and date can be verified represent that strongest voting method.

- We further believe that offering an incentive to members, such as entry into a prize raffle, to encourage participation in a conversion vote can substantially detract from the fairness of the vote. In considering this feature we believe that, no matter how an incentive is delivered, ordinary members will deem that their individual chances of success are substantially enhanced if a vote is placed in cooperation with the credit unions' expectations. We support any regulatory improvement that will accurately communicate the conversion process with credit union members.
- MDDCCUA encourages regulatory provisions that permit expanded levels of communication to include telephone messages on hold, statements, email, and other forms of electronic messaging in addition to any required postal mailings.
- Credit unions need to consider the security and privacy of any communication methods that collect member personal information or data. Requiring the requesting member to prepare the mailing materials themselves, such as packaging and sealing and posting of envelopes is also acceptable, so long as the instructions can be made simple and clear.
- NCUA should consider applying these methods to all member communications and not just limiting these methods to credit unions that are considering conversion to a Mutual Savings Bank.

MDDCCUA encourages the NCUA to consider provisions that do not impair the overall normal operation and efficiency of the credit union during this process.

### Requirements For Public Notice

In addition to the proposed communication methods MDDCCUA recommends that the NCUA consider additional channels including; home banking, statement messages, or other electronic messaging services that may already be in used at the affected credit union.

### Required Disclosure Language

The proposal is retaining disclosure language that, after conversion, a member may experience diverse changes in rates. We agree with the proposed disclosure language. We further believe that statistical information concerning the service levels provided by Federal Credit Unions should also be considered<sup>1</sup>.

### Boxed Disclosure Language

NCUA's proposed 'boxed disclosure' retains, but modifies the disclosure language about profits by directors and officers. We agree with the proposed boxed disclosure format.

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<sup>1</sup>For 20 consecutive years, the American Banker/Gallup Poll has polled credit union members and bank customers, and each year service satisfaction levels are higher at credit unions than at banks. Source:

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In closing, MDDCCUA commends the agency's efforts to protect and preserve our nation's credit unions and would like to thank you for this opportunity to share its views on the proposed regulation. Should you have any questions or require additional information please call the undersigned or B. Kirk Fox, VP Compliance at 410-290-7832 ext. 109.

Sincerely,

A handwritten signature in dark ink, appearing to read "Rick Stoll". The signature is written in a cursive, somewhat stylized font.

Rick Stoll  
Chairman

A handwritten signature in dark ink, appearing to read "Michael V. Beall". The signature is written in a cursive, somewhat stylized font.

Michael V. Beall