

GC/MFR:bhs
SSIC 3700
01-0725

TO:

FROM: Sheila A. Albin, Associate General Counsel

SUBJ: Nonstandard Bylaw Amendment

DATE: July 26, 2001

You have asked this office to review and comment on several nonstandard bylaw amendments submitted for approval by [] Federal Credit Union (FCU). We agree with your view on the requested amendments.

We object to the proposed nonstandard amendment regarding special meetings of members because it significantly reduces the ability of the membership to be heard through a special meeting. The FCU has approximately 440,000 members. It proposes amending the provision that allows members to call a special meeting by upping the number of members necessary to call a special meeting from the 500 maximum in the current FCU bylaws to 1% of the membership. Federal Credit Union (FCU) Bylaws, Article IV, Section 3. This would result in requiring 4,400 members to sign a petition for a special meeting of the members.

In their comments to you, a couple of the regions have noted a prior standard amendment permitted raising the required number of members to 5,000. We note that the FCU currently has that standard amendment and would not need NCUA approval to retain it. You should be aware that, although the amendment increases the maximum number to 5,000, there is a separate provision that is part of that amendment that effectively permits 2,000 members to require a special meeting be called. That provision states that, if 2,000 members sign a petition requesting a special meeting, the board of directors must meet with a five-member committee appointed by the petitioners and attempt to resolve the issues raised in the request. If the board and the five-member committee cannot resolve the dispute, the board must proceed with the special meeting. If the FCU wishes to retain its current bylaw, it must retain both provisions.

We object to the proposal to amend the provision governing nomination by petition by significantly increasing the number of signatures necessary for nomination. It would significantly reduce the ability of the membership to participate in the process. The current bylaws set the number at 1% of the membership with a minimum of 20 and a maximum of 500. FCU Bylaws, Article V, Section 1. The FCU proposes changing the requirement to a straight percentage with no maximum limit. Our views are discussed further in the attached memo [], dated May 12, 2000.

We have no legal concerns with the FCU's proposal to provide for a one-year term for the director member of the supervisory committee and three-year terms for the other members of the supervisory committee. We defer to your office on the safety and soundness implications of this proposal.

We have no legal concerns with adding a provision to the bylaws stating that Roberts' Rules of Order shall govern the credit union in all cases in which they are not inconsistent with the credit union's bylaws.

Attachment