



Credit Union National Association

cuna.org

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December 16, 2005

The Honorable Jeb Hensarling
132 Cannon House Office Building
Washington, DC 20515

Dear Congressman Hensarling:

This letter addresses your timely request that the Government Accountability Office investigate how the National Credit Union Administration regulates the conversion of federally insured credit unions to mutual savings banks. On behalf of the Credit Union National Association, I urge you to expand the scope of the study, as addressed more fully below.

First however, I want to make it clear CUNA is not raising objections about such a study as we recognize that Congress must oversee the activities of entities it charters, such as the National Credit Union Administration. Such oversight includes the agency's implementation of the Federal Credit Union Act as it relates to the conversion of credit unions to mutual savings banks.

We also fully support the rights of a credit union board to present issues such as a charter conversion, to the membership, and we would object strenuously should NCUA seek to implement regulations relating to conversions that did not reflect those rights.

At the same time, CUNA supports full and fair disclosures for credit union members, including adequate information about the real differences between a credit union and a mutual savings bank, and what happens to the members' ownership rights when the credit union converts to a mutual form of operation.

In light of these highly important considerations, CUNA respectfully requests that you ask the GAO to significantly broaden the scope of the study to encompass the following additional issues:

- Not only the conversions in Texas, but all conversions since the most recent statutory changes in 1998.
- The extent to which members in all instances received adequate disclosures of the differences between credit unions and mutual savings banks, and understand what they are voting on.



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- Whether institutions, which had changed from credit unions to mutual savings banks, took the next step of converting to stock institutions and who benefited from such changes.
- The extent to which boards of directors at converting credit unions adequately fulfilled their fiduciary duties to the member-owners of the credit union.
- Whether statutory changes are necessary to fully protect the interests of credit union members throughout the conversion process.

We believe expanding the GAO review will enhance the study and provide a more informed basis on which public policy decisions can be made. Such additional review will also provide a clearer picture of NCUA's role in the conversion process and will assist the GAO in assessing whether sufficient information was provided to members prior to their vote to convert. Further, the expansion of the study's scope will allow GAO to examine what appears to be a gap in the existing law between the limits of NCUA's authority and those of the Office of Thrift Supervision, and whether the present regulatory approach adequately protects the ownership interests of credit union members.

In closing, CUNA would welcome the opportunity to work with you as you consider how best to protect credit union members and their interests. I would like to follow up this letter with a personal visit and will be in touch with your office very shortly to see if we can meet in the very near future. In the meantime, please do not hesitate to contact me if you would like to discuss any aspect of this letter or other issues relating to credit unions.

I wish you, your family, and staff happy holidays.

Sincerely,

A handwritten signature in cursive script that reads "Daniel A. Mica". The signature is written in dark ink and is positioned above the printed name.

Daniel A. Mica