

News



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AMERICA'S COMMUNITY BANKERS URGES CONGRESS TO PASS CREDIT UNION CHARTER CHOICE BILL

WASHINGTON, D.C. — America's Community Bankers urged Congress today to pass legislation to prevent the National Credit Union Administration from using obstructionist tactics to keep credit unions from converting to mutual savings bank charters.

Testifying before the House Financial Institutions Subcommittee, Laurie Stewart, who manages a converted credit union, urged Congress to pass legislation to "ensure that, like all other businesses in America, credit unions have the freedom to choose the charter that best fits the needs of their members and communities." Stewart is president and CEO, Sound Community Bank, Seattle. Her bank's conversion from CU of the Pacific occurred in 2003.

"We are concerned that the NCUA, through regulatory fiat, has effectively stopped credit union conversions," said Stewart. "Under the guise of disclosure and consumer protection, it has made a credit union charter a prison sentence rather than a right, whereby no one can escape once they take a credit union charter," she added. "The actions of the NCUA have effectively stripped the credit union member of the right to vote on the conversion process."

Stewart supported H.R. 3206, the Credit Union Charter Choice Act, sponsored by Reps. Patrick McHenry (R-N.C.) and Edolphus Towns (D-N.Y.), that would allow the NCUA to continue to oversee conversions, but would add certainty to the process, reduce

unnecessary costs and allow credit unions to communicate freely and accurately about the conversion with their members, the public and the media.

Specifically, the bill would prohibit the NCUA from requiring a converting credit union to include information in the conversion materials that speculates on the future operations of the resulting institution, information or statements that are inaccurate or distort the impact of the conversion on credit union members, and information that conflicts with the regulations of other regulators, including the Office of Thrift Supervision.

Federal law permits a credit union to convert to a mutual savings bank or savings association charter if its members vote to do so, and requires conversions to be "subject to regulation that is no more or less restrictive than that applicable to charter conversions by other financial institutions."

Stewart said the actions of the NCUA are "clearly contrary to the intent of Congress as expressed in the 1998 Credit Union Membership Access Act." She added: "The NCUA seems to have ignored this mandate from Congress" and has "promulgated rules that are not only more restrictive than those of financial regulators, but actually conflict directly with the rules of the OTS for conversions to stock form by mutual institutions."

Stewart said that, in addition to its burdensome rules, the NCUA's behavior has been an effective obstacle to converting credit unions. "The NCUA's practice of essentially gagging converting credit unions from communicating with their members, while emboldening opposition groups, finding hyper-technical reasons for not approving the process used by credit unions, and dragging the process out over unreasonably long periods of time has created a de facto barrier to successful credit union conversions.

"The NCUA's actions have taken the conversion process back to how conditions were prior to CUMAA's passage in 1998. That is why ACB believes that H.R. 3206 is a necessary and timely piece of legislation. It will restore balance, certainty and fairness to the conversion process for credit unions," she concluded.

America's Community Bankers is the national trade association committed to shaping the future of banking by being the innovative industry leader strengthening the competitive position of community banks. To learn more about ACB, visit www.AmericasCommunityBankers.com