Coalition for Credit Union Charter Options

Written Testimony Submitted for the Record by

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Consideration of the *Credit Union Charter Choice Act*
H.R. 3206

Before the

Subcommittee on Financial Institutions and Consumer Credit
Committee on Financial Services
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Introduction

Chairman Bachus, Vice-Chairman Jones, and Members of the Committee, the Coalition for Credit Union Charter Options appreciates the opportunity to provide written testimony to your Subcommittee. Our organization is wholeheartedly in favor of H.R. 3206, the *Credit Union Charter Choice Act.*

The Coalition is an education and advocacy group formed to represent the interests of credit unions that want to preserve charter choice under reasonable rules and at a reasonable cost. We promote and defend the right of credit unions to choose the type of financial services charter and organizational structure that best suits the needs of their customers and the communities they serve.

Our membership includes credit unions, former credit unions that have since converted to mutual savings banks, companies serving credit unions and banks, and individuals.

Containment or Freedom of Choice

Bank trade associations say they want to <u>contain</u> credit unions and hence they oppose the expansion of credit union powers. Likewise, credit union trade associations and NCUA, whose interests have come to appear indistinguishable, also want to <u>contain</u> credit unions by keeping them from converting.

Yet, the credit union charter has no capital raising powers and faces other limitations. Thus, credit unions that want to grow face a legislative stalemate.

As you know, Congress enacted H.R. 1151, the *Credit Union Membership Access Act,* in 1998, authorizing the conversion of a credit union to a mutual savings bank under streamlined rules. The legislation replaced NCUA's self-serving rulemaking of prior years. As a result, forward-thinking, growth-minded credit unions that do not want to be 'contained' have an escape route.

Or should we say, HAD an escape route.

NCUA Impediments to Conversions

After five years of mostly even-handed supervision of conversions, NCUA, in 2003, began a campaign of excessive rule-making, capricious administration of the rules, and public relations antics which have undermined H.R. 1151. Effectively, NCUA has put a chill on consideration of conversion as a strategic option for credit unions.

For example, some will recall that last summer, despite the objections of more than 20 members of Congress including many of you, NCUA invalidated the conversion vote at two Texas credit unions because of the way a single piece of paper was folded. The credit unions were forced into court and thank goodness they prevailed. The federal judge said NCUA was "arbitrary," "capricious," "silly," and "inept." Had the parties not settled, the judge would likely have invalidated NCUA's entire set of over-reaching conversion regulations.

One would think that after fierce criticism from Congress and a federal judge, NCUA would have learned its lesson about lacking objectivity and independence.

Unfortunately, it only learned how to better maneuver its bureaucratic red tape and public relations tactics to once again stop a conversion attempt. This spring, a $1.8 billion credit union in Michigan was forced to withdraw its conversion application because of NCUA's posturing against the credit union, its encouragement of a dissident member group, and quite frankly, its lack of objectivity and independence.

Conflict of Interest at NCUA

Money may be what is clouding NCUA's judgment.

For example, in January, NCUA had to write a check to the two Texas credit unions for $17 million. This is the amount of their deposits in the National Credit Union Share Insurance Fund (NCUSIF), which NCUA administers. Today, NCUA keeps 60% of the interest earned on that money for its operating budget – about $500,000 for 2005, in the case of the two Texas credit unions.

The Michigan check would have been $10 million. In addition, because this is a federal credit union, NCUA would have lost its $250,000 annual assessment – a potential $500,000 hit, in total.

This, we think, is clear evidence that NCUA is *conflicted*. The agency also seems to be *confused*, since the law established by Congress in 1998 calls for conversion regulations to be "no more or less restrictive than rules applicable to charter conversions of other financial institutions."

Regrettably, that is not what we have today.

Excessive Regulation

For example, NCUA unwisely imposed speculative disclosure language in 2003, including statements about possible future equity offerings which violate Securities and Exchange Commission and Office of Thrift Supervision rules. Then, in early 2005, it added its infamous 'boxed language,' which the OTS has called "potentially misleading."

NCUA has a long history of opposing conversions. Congress had to rein the agency in with the 1998 legislation. For example, your 1998 law eliminated other 'boxed language' that NCUA had imposed on conversions in 1997. Yet, here is the same issue, back again, eight years later. Despite periodic changes among the members of the NCUA board, the meddling and lack of objectivity continue, which points strongly to intransigence on the part of its career bureaucrats.

When a federal court admonished NCUA last summer, it was just the latest example of a third party looking closely at what's going on in the credit union industry with charter conversions and finding the behavior outrageous.

Here is a quick synopsis of NCUA's poor behavior in past conversions:

- *Lusitania (1995)*

NCUA invalidated a majority approval in the first round of voting and subsequently required non-material changes to clear the disclosures it demanded for a second round of voting.

- *Affiliated (1998)*

NCUA's regional director delayed action for almost nine months before responding to the application, claiming the region was too busy to address conversions.

- *Citizens Community (2001)*

Citizens' first conversion vote was invalidated, although it received an overwhelming majority vote in favor, because not all the ballots were received within NCUA's arbitrarily imposed, 30-day voting period. NCUA refused to permit a meeting adjournment, typical in many corporate situations, to allow more time for the ballots to arrive. Within a few days following the closing of the 30-day window, a sufficient number of additional ballots had arrived to meet the quorum requirement. NCUA also prevented the credit union from sending reminder notices to members, in order to improve participation, during the 30-day voting window.

- *Columbia (2003-04)*

NCUA invalidated the majority vote of this state-chartered credit union based in part on NCUA's claim that some additional members should have received ballots – a matter subject to state law. NCUA's ruling was contrary to a legal opinion from a local attorney who acts for state-chartered credit unions throughout Washington state.

- *Lake Michigan (2004)*

NCUA stonewalled the clearance of a set of answers prepared by the credit union to respond to a television media inquiry, eventually leading to a damaging, one-sided story.

- *Community (2005)*

NCUA invalidated a majority vote based on how a piece of paper was folded in the member mailing.

- *OmniAmerican (2005)*

Just as it did with Community, NCUA invalidated a majority vote based on how a piece of paper was folded in the member mailing. Plus, after the Texas federal judge's decision in the Community case, NCUA raised an additional issue pertaining to voting eligibility at OmniAmerican, similar to the Columbia case. The inquiry was dropped when the Justice Department pushed NCUA to settle both cases.

- *DFCU Financial (2005-06)*

NCUA refused to clear the credit union's proposed Q&A language for member and media inquiries; postured about alleged inaccurate statements in the disclosures on post-conversion access to shared branches, after previously clearing them; claimed media statements by the credit union's CEO were inconsistent with the disclosures; and contradicted DFCU's statements about a potential recall of the entire board by declaring the Supervisory Committee would become an interim board – an outcome that many believe is not permitted under the Federal Credit Union Act.

NCUA's Unnecessary Role in Conversions

If NCUA is unable or unwilling to implement Congress' legislation properly, then isn't time to turn complete responsibility for conversions over to the OTS and FDIC? If NCUA won't get the message, doesn't it need to be removed from the process? After all, credit union-to-mutual savings bank charter changes are the only type of conversion not handled entirely by the *successor* agency.

Besides, the OTS and FDIC have much more experience with transactions requiring full and fair disclosure. Both have securities divisions which deal with such issues on a daily basis.

NCUA and its friends at the credit union trade associations will tell you that money clouds the judgment of credit union executives who seek to convert to the mutual savings bank charter. They would have you believe that, without NCUA guarding members' interests, the management and directors of converting credit unions will be free to help themselves to excessive compensation. These critics ignore the 30 years of management compensation rules in place at the OTS and the FDIC, both highly respected regulators. These are the same rules that apply to respected companies like Washington Mutual and World Savings. Quite frankly, the critics' attacks on compensation are without merit and self-serving.

There are all kinds of misleading arguments put forth by vested interests in the credit union industry on why charter conversions are bad for members. The fact is, they are bad for those vested interests. Generally speaking, they are *good* for members and their communities.

It is ironic, actually. While arguing to Congress that credit unions are handicapped by charter limitations, the anti-conversion bureaucrats ignore the positive member and community benefits that flow from a conversion to the mutual charter – results that stem from the very powers they are lobbying to get for their own credit unions, such as higher business lending limits and more flexible capital standards.

It is an indisputable mathematical fact that a mutual savings bank can hold more assets, accept more deposits, make more loans for its members, and do more for its community, than a credit union with an equal amount of net worth.

Nonetheless, the real issue is freedom of choice. The members should be allowed to decide for themselves about a charter conversion, which is what *didn't* happen in Michigan last month.

Denying the Members Their Democratic Rights

One of NCUA's anachronistic bylaws permits the calling of a special meeting on just 500 signatures, regardless of the size of the credit union. It allows a strident minority to run roughshod over the rights of the full membership. That is exactly what happened in Michigan as a small group led by former employees and directors, and financed by outside interests, launched an effort to remove the board of directors prior to the completion of the conversion voting. The Michigan credit union has 160,000 members who were effectively denied the opportunity to vote yes or no to a conversion.

NCUA had a chance to modernize this bylaw, which is a throwback to the days of small, all-volunteer credit unions, at its most recent meeting last month. But it chose instead to leave it in place, making only an immaterial adjustment, thereby preserving the recall of a board of directors as a 'secret weapon' in the fight to undermine conversions.

Shouldn't members of modern credit unions, with hundreds of millions of dollars in assets and professional management, be protected from minority groups that rely on sponsorship from outsiders to promote extremist agendas?

Such outdated governance, like the 'secret weapon' special meeting bylaw, can lead to safety and soundness concerns; and it is simply more evidence that some credit unions have outgrown their skin. We would propose a solution that many state-chartered credit unions have adopted, which requires at least 10% of the total membership to sign a petition for a special meeting.

Conclusion

In conclusion, forward-thinking, growth-minded credit unions – that do not want to be 'contained' – have become trapped by NCUA's arbitrary and capricious rulemaking and its draconian influence over the conversion process.

Converting credit unions, and those credit unions that want to keep the conversion option open, are stranded. Facing the unfortunate prospect of being contained both by the banks *and* NCUA, these 'orphans' have no one to turn to.

The Coalition for Credit Union Charter Options supports H.R. 3206 and is appealing to this Committee to take action. The adoption of H.R. 3206 as presented will go a long way toward creating a fair and reasonable conversion process. Additionally, we would ask the committee to address the anachronistic federal credit union bylaw provision for special meetings and consider entirely removing a conflicted NCUA from the credit union-to-mutual savings bank conversion process.

We urge you to protect the rights of these credit unions, and their members, from NCUA's efforts to impede, and ultimately stop, conversions.

Thank you for the opportunity to present our testimony to the Subcommittee on Financial Institutions and Consumer Credit.

Yours truly,
COALITION FOR CREDIT UNION CHARTER OPTIONS

Lee Bettis

Lee Bettis
Executive Director

Appendix

The attached table documents the actions of NCUA in the conversion application by DFCU Financial of December 2005, leading up the withdrawal of that application in April 2006.

That history is preceded in the table by a selection of events over the previous 24 months summarizing the actions of NCUA and Congress in connection with charter conversions, including the invalidations by NCUA of two Texas votes in 2005 which prompted the drafting of H.R. 3206.

The Coalition for Credit Union Charter Options offers this record of events and outcomes in the history of conversions, together with our comments, as additional written testimony in support of the *Credit Union Charter Choice Act,* H.R. 3206.

April 27, 2006

Coalition for Credit Union Charter Options
NCUA Actions to Impede Conversions 2003-06

Date	Entity	Action	Impact/Outcome	Comment
Background				
Late 2003	NCUA	Over the objections of many credit unions, NCUA Chairman Dennis Dollar authors new regulations that call for inclusion of speculative statements in the standard conversion disclosures, including statements about possible future equity offerings. The new rulemaking is announced with much fanfare in the trade press on the day $650 million-asset Columbia Credit Union (WA) issues its first mailing to members regarding its plan to convert to a mutual savings bank.	Press reports of NCUA's announcement ring of Dollar's claims that conversions are driven by insiders; and that present disclosures are inadequate, and false and misleading. The new disclosures add to the regulatory burden, contrary to Congress' explicit instructions that NCUA should establish conversion rules that are "no more or less restrictive than rules applicable to charter conversions of other financial institutions." For example, they ask the credit union to announce future intentions that have not yet been decided, by a board that doesn't yet exist, and which have to be approved by a future membership that is not yet constituted.	After five years of even-handed administration of conversion votes, the new regulations set the stage for an era of proactive interference by NCUA in conversions. The new rules are similar to NCUA's pre-H.R. 1151 conversion rule requirement, which was rejected by Congress when it streamlined conversion regulations in 1998. Many believe the new disclosures are also illegal because they violate OTS and SEC rules.
Mid-2004	NCUA	After invalidating the membership approval of the Columbia conversion, NCUA sets the stage for a recall petition by SaveCCU, a dissident member group, to remove sitting directors. NCUA's spurious objection letter was released to the dissidents and the press before the state regulator or the credit union could comment. Some have called the board recall petition NCUA's "secret weapon" in the battle against conversions.	NCUA's invalidation was based primarily on a federal interpretation of voting eligibility, an issue governed under state law since Columbia was a state-chartered credit union. NCUA overrode a local legal opinion on voting rights – provided by counsel to most Washington state credit unions. Consequently, Columbia's board became mired in a lawsuit brought by the dissident group, built on the back of the NCUA investigation and objections.	NCUA released its spurious objection letter, overturning the affirmative vote, to the dissident group before even sending it to the credit union. Columbia, once a community leader in performance and prestige, is now frozen in time as new board members deal with internal conflicts, driven in part by left-of-center social-political ideals.

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Background (cont.)				
January 2005	NCUA	On the eve of the mailing of disclosures by $1.4 billion-asset Community Credit Union (TX) and $1.1 billion-asset OmniAmerican Credit Union (TX), and despite objections from many credit unions and banking trade groups, NCUA approves yet another new set of regulatory requirements for conversion disclosures, which became commonly known as the "boxed language."	The OTS declares NCUA's boxed language to be "potentially misleading." For example, NCUA implies members will have no subsequent vote on any conversion to stock ownership but the OTS points out in its June 2005 certification of the Community vote that members must approve such a conversion under a more rigorous vote requirement than the credit union-to-mutual savings bank conversion.	NCUA continues to imply conversions are motivated by insiders rather than driven by economic conditions and credit union charter limitations. And the misleading "boxed disclosure" makes it impossible for the credit union to communicate fairly with its members.
June 15, 2005	NCUA	NCUA is invited to testify at a hearing of the Subcommittee on Financial Institutions and Consumer Credit of the Committee on Financial Services. Rep. Patrick McHenry famously refers to NCUA's objections over how a document in the mailing was folded as "re-freaking-diculous." OTS Acting Director Richard Riccobono called NCUA's invalidation decision "terrible."	The hearing was supposed to be about regulatory relief but questioning of NCUA Chairman JoAnn Johnson is mostly focused on its actions to invalidate the voting in the Texas conversions.	**NCUA's efforts to invalidate the Community and OmniAmerican votes are seen by some as an attempt to deny the members their right to have a say on the conversion.**
June 16, 2005	CFS	Ranking Member Rep. Barney Frank wrote Chairman Johnson following the June 15 Subcommittee hearing calling the 'fold' decision a "hyper-technical interpretation" that serves to "encourage those who seek to place further restraints on NCUA's authority…"	Rep. Frank's advice to "rescind or reject any decision or recommendation invalidating these [Texas] elections" was ignored by NCUA, which had to be taken to court by the two credit unions.	Judging by the press reports, a few in the credit union industry were stung by this criticism from Rep. Frank, who is considered a 'friend' of credit unions.
June 22, 2005	NCUA	Chairman Johnson responds with a letter to Rep. Frank defending the agency's actions and criticizing the TCUD for its handling of the Texas conversions on several grounds, including biased judgment.	This prompts a scathing letter from TCUD Commissioner Harold Feeney addressing each specious complaint, confirming that it is his duty "to enforce and apply the statutes adopted by the Texas legislature and the corresponding rules promulgated by the Texas Credit Union Commission in a fair and reasonable manner."	Mr. Feeney went on to add "I believe NCUA has a similar duty on the federal level."
June 29, 2005	Congress	A letter is authored by 24 members of the Texas Congressional delegation to Chairman Johnson urging NCUA not to "impede or invalidate these [Texas] elections."	NCUA ignored their request and proceeded with the invalidation, forcing the matter to the courts. The Congressmen's concerns were vindicated by a Texas federal judge's ruling that NCUA's actions were "arbitrary," "capricious" and "silly."	The Congressmen had asked NCUA to "consider the implications of excessive regulatory interference in the process."

Background (cont.)				
July 2005	NCUA	In a speech at the NAFCU annual conference, Chairman Johnson criticized members of Congress, saying they "haven't a clue" about credit unions.	Not only does NCUA continue to exceed its statutory authority in conversions, it seems prepared to taunt its superiors and flaunt its disobedience.	In the same speech, Johnson accused Community's leadership of not being open, fair and consistent with the membership in their disclosures. But it is NCUA's capricious actions that have made the goal of full disclosure a moving target over the past two years.
July 2005	Congress	Rep. Patrick McHenry circulates a bill (H.R. 3206) that would strip NCUA of much of its authority over charter conversions.	NCUA reacts predictably and blamelessly, taking no responsibility for having precipitated this move to rein the agency in.	NCUA learned nothing from its Texas misadventure.
December 13	Congress	Rep. Jeb Hensarling issues a letter to the GAO requesting it investigate whether NCUA is obstructing conversions	The GAO is asked specifically to report on whether NCUA's actions "conform with, or exceed the powers granted" in H.R. 1151, whether its rules are "no more or less restrictive" than those applicable to other financial institutions ("as required by law"), and whether NCUA's behavior "acts as an undue hindrance on the ability of credit unions to convert."	Rep. Hensarling suggests "a bias against credit union conversions may exist at the NCUA" which could "obstruct the ability of credit union members to decide freely and fairly the future of the credit union."

The DFCU Episode				
December 14, 2006	DFCU	$1.8 billion-asset DFCU Financial files an application with NCUA to convert, including a draft disclosure package and other materials.	DFCU is the largest-ever credit union to attempt a charter conversion, and one of the nation's top-performing and most efficient credit unions. DFCU has received numerous local awards for exemplary customer service, for providing a highly rated employee work environment, and for civic activity – in particular for providing grants to elementary schools.	DFCU immediately draws fire from the credit union industry.
December	NCUA	NCUA refuses to clear supplemental DFCU materials for use with members and the media – claiming they are "forward-looking and subject to speculation."	DFCU avoids making substantive remarks to the media and its members while disclosure materials are awaiting clearance from NCUA.	DFCU is effectively silenced by the NCUA's ability to force revisions to the disclosures and/or invalidate the vote over anything the agency unilaterally deems is a discrepancy in other communications with members.

The DFCU Episode (cont.)				
January 12	NCUA	After 30 days of review, NCUA issues a letter to DFCU refusing to clear the disclosure materials and raising numerous issues about which it later admitted it had no authority to regulate. NCUA also confirmed in the letter its refusal to clear basic communication materials which addressed questions typically raised.	MCUL CEO David Adams and the credit union trade press claim DFCU is trying to hide something because it is not immediately mailing information about the conversion to members.	The disclosure materials submitted for clearance were substantially similar to the materials cleared during the two Texas conversions in 2005, which NCUA had testified in federal court were "complete" except for the way a single piece of paper was folded.
January 27	NCUA	NCUA's January 12 letter to DFCU, containing 10 pages of comments on an 8-page draft disclosure statement, is released to CUNA and its contents find their way into the trade press on this day. The letter twice raises the specter of overturning the vote if NCUA's concerns are not addressed.	The trade press reports include details of DFCU's plans and NCUA comments on areas of inquiry that are outside the agency's authority. NCUA rejects DFCU's conversion plan and is "questioning" the institution's due diligence.	In failing to protect confidential information, NCUA allows the negotiation on disclosure content to be conducted in the media. Conversion opponents take NCUA's letter and imply the federal regulator suspects DFCU of wrong-doing related to the conversion plan.
March 1	NCUA	NCUA general counsel Bob Fenner claims in a trade press report that DFCU has made a "gross overstatement" when it said NCUA's opinion on written communications to members precludes it from talking to members until the disclosures are approved. On February 23, he said it was "egregious" and "outrageous" for a credit union to blame NCUA for not talking to its members.	Without the ability to counter through its own rebuttal the claims in the 'boxed language' (which the OTS has found to be "potentially misleading" and which NCUA has ruled must accompany all written communications to members), DFCU continues to stand down on member communications while its opponents have a field day making defamatory and misleading statements that bear no regulatory scrutiny whatsoever.	With his published remarks, Fenner is disingenuously inviting DFCU to compromise its own interests by speaking for the record before its disclosures are cleared. At the same time, NCUA warns DFCU in a letter "it could be very costly and time-consuming…if the notification process must be reinitiated."
March 1	NCUA	NCUA finally clears DFCU's disclosures for mailing but "recommends" the credit union wait for the outcome of a NCUA-mandated investigation by DFCU's supervisory committee, handled by special counsel, over a complaint filed by the ex-DFCU chairman. NCUA now admits it had no authority to regulate certain issues raised in its previous comment letter in January.	Member disclosures are further delayed. NCUA's March 1 letter opens the door for more hijinks by the DOU dissident group, a small group of DFCU ex-employees, ex-directors, and members opposed to the conversion, by pointing to supervisory committee integrity, past representations about insider benefits, and board due diligence as areas of concern. In citing areas of "concern" (over which it has no jurisdiction), NCUA raises suspicions, setting the stage for shenanigans by opponents and pointing them in specific directions.	NCUA's March 1 letter was also released into the public domain. This allows matters of conjecture about the DFCU board's internal deliberations to carry the weight of allegations, and they begin to take on a life of their own as the charges are repeated by opponents and reinforced by stories in the press, including the Detroit mass media.

The DFCU Episode (cont.)				
March 1	NCUA	NCUA warns SFT in the March 1 clearance letter that "NCUA reserves the right to disapprove the actual methods and procedures applicable to the membership vote if the credit union fails to conduct the vote in a fair and legal manner," which continues to threaten DFCU's ability to make public statements in defending itself against allegations by DOU and MCUL.	This statement, plus a second warning in the same letter ("Our preliminary determination here does not vitiate NCUA's regulatory authority to disapprove of the actual methods and procedures…"), has a chilling effect on all of DFCU's communications to members.	Capricious, after-the-fact rule-making, and the anytime threat of invalidation of the vote, leave a converting credit union without a clear understanding of what constitutes "full and fair disclosure," and unwilling to take the risk of guessing.
March 22	Congress	As chairman of the Committee on Ways and Means, Rep. Bill Thomas writes NCUA Chairman Johnson to take issue with public statements by a member of her board.	Rep. Thomas, admonishing NCUA to "be mindful of your proper role as an independent and objective regulator," affirms he has requested the GAO to investigate NCUA's independence and objectivity.	Rep. Thomas cites a 2004 federal district court that told NCUA "it cannot act as a rubber stamp or cheerleader."
March 23	DFCU	With the supervisory committee investigation now complete, DFCU mails its disclosure package to members.	Members finally get the full story, including reasons for the conversion, after more than three months of NCUA deliberations.	The delays gave the opposition plenty of time to coalesce and publish false and misleading information.
March 29	NCUA	MCUL's Adams writes NCUA suggesting "NCUA would have cause to disallow this vote based on the unfairness and inaccuracy of [DFCU's] public statements," referring to remarks made by Shobe to the news media, and to DFCU advertisements encouraging members to vote on the conversion.	Adams declares Shobe's statement "was incomplete at best and evasive, if not deceitful, at worst," thereby implying Shobe is lying to the public and his membership.	On a frail foundation of unfounded claims, MCUL is now asking NCUA to intervene and punish the credit union for its communications, after complaining for months that DFCU was not communicating.
April 4	NCUA	On March 28, NCUA issues a legal opinion confirming that only 500 signatures are needed to compel the meeting, and that electronic signatures are eligible. DOU begins petitioning members to force a special meeting to remove all nine directors on the DFCU board.	NCUA clears the way for the petition to succeed. It could result in a wholesale dismissal of the board and ultimately threaten management stability at a top-performing credit union.	**In a tyranny of the minority, DOU is attempting to deny the full membership its democratic right to vote on the conversion. NCUA's actions and bylaw enable this undermining of the democratic process.**

The DFCU Episode (cont.)				
April 13	NCUA	Taking its cue from MCUL's March 29 letter, and a follow-up complaint by the credit union's ex-chairman, NCUA issues a new letter to DFCU taking issue with the accuracy of the already-in-the-mail, pre-approved disclosure and ballot. One matter, addressing the continued availability of the shared branching network after conversion, is cited for investigation. NCUA also takes issue with public statements by Shobe, as reported in the local media.	The NCUA letter contains some of the same language from its May 13, 2005 letter to Community ordering the voting to be halted. Although the April 13, 2006 letter stopped short of invalidating the vote at DFCU at that point in time, NCUA made it clear DFCU was at risk and that a comprehensive response would be necessary before the next mailing, just a few days away,	NCUA is setting DFCU up for an excuse to rescind the votes collected to date and re-start the process, similar to the 'fold' excuse in Texas in 2005. In the same letter, NCUA makes statements about insider benefits similar to those raised by MCUL in its March 29 letter to NCUA, which illustrates how the agency takes instructions from industry trade associations. Again, the trade media and opponent groups are given copies of this new letter from NCUA, raising more public suspicions about the conversion plan and DFCU's communication.
April 17	DFCU	DFCU withdraws its application, citing "unnecessary confusion and concern among our members" stemming from "misinformation" and "communication constraints."	Believing NCUA intends to disallow the vote, and frustrated with the one-sided nature of a public relations battle in which it cannot defend itself, DFCU gives up.	DFCU's gambit to obviate the board recall by withdrawing its application fails, as DOU persists with its punitive petition despite the withdrawal.

Epilogue				
April 17	ABA	ABA CEO Ed Yingling states "this process has been completely skewed by the NCUA and some in the credit union industry, both of which have a clear and public bias against conversions."	The withdrawal sends a chilling message to other credit unions contemplating conversion, which would have to run a gauntlet of ugly public relations battles, strident member minorities, and inconsistent rule-making from a biased regulator, in order to win approval.	Gamesmanship prevails, undermining Congress' intent that the conversion option should be available to credit unions on terms no more or less restrictive than those for other financial institutions.
April 18	ACB	ACB issues a release about the DFCU decision to withdraw its application.	ACB asserts that NCUA "should act as an honest broker in the process" and "should not be gaming the system in a manner that prevents credit union members from deciding for themselves what is in their best interest."	**In the wake of the withdrawal, NCMT's Bucky Sebastian proudly declares "Democracy has prevailed." On the contrary, democracy was never given a chance in Dearborn.**

Epilogue (cont.)				
April 20	NCUA	At its most recent board meeting, NCUA addressed federal credit union bylaws, preserving the board recall petition with only a modest increase in the signature threshold from 500 to 750.	Opponents of this bylaw had asked that the threshold for calling a special meeting to remove directors be increased to a percentage of the overall membership, to ensure that a small minority could not impose its extremist agenda on a large membership.	NCUA left the "secret weapon" in force at a time when its use could not be more contentious. The bylaw renders most of NCUA's rule-making moot, since future conversions are unlikely even to get to a vote anymore.
April 20	NCUA	NCUA has already announced its intention to conduct another round in its relentless rule-making for conversions, adding among other things a 30-day comment period for member input prior to the filing of an application.	The comment period will provide advance notice of the intention to convert, offering extra time up-front for dissident groups to organize.	This additional time frame would extend by 30 days what is typically a 90+-day period during which opponents can make inaccurate, misleading, defamatory, injurious, and unsubstantiated claims. The credit union is powerless to defend itself under current rules and practices because of the NCUA 'chill' on communications to members.

Acronym Legend

ABA: American Bankers Association
ACB: America's Community Bankers
CCUCO: Coalition for Credit Union Charter Options (see background information below)
CFA: Consumer Federation of America
CFS: Committee on Financial Services, U.S. House of Representatives
Columbia: Columbia Credit Union, Vancouver, WA (a 2003-04 conversion applicant whose favorable vote was overturned by NCUA)
Community: Community Credit Union, Plano, TX (one of two Texas credit unions that converted in 2005)
CRA: Community Reinvestment Act
CUNA: Credit Union National Association
DFCU: DFCU Financial Credit Union
DOU: DFCU Owners United (a group of members opposed to the DFCU conversion)
FDIC: Federal Deposit Insurance Corporation
GAO: Government Accounting Office
LMCU: Lake Michigan Credit Union, Grand Rapids, MI (a 2004 conversion applicant with a 60% favorable vote, short of Michigan's 66-2/3 super-majority requirement)
MCUL: Michigan Credit Union League
NAFCU: National Association of Federal Credit Unions
NASCUS: National Association of State Credit Union Supervisors (a body representing regulators of state-chartered credit unions)
NCMT: National Center for Member Trust (an anti-conversion advocacy group comprised of credit union CEOs)
NCRC: National Community Reinvestment Coalition
NCUA: National Credit Union Administration

NCUSIF: National Credit Union Share Insurance Fund
OmniAmerican: OmniAmerican Credit Union, Fort Worth, TX (one of two Texas credit unions that converted in 2005)
OTS: Office of Thrift Supervision
SEC: Securities and Exchange Commission
SFT: Silver Freedman & Taff (DFCU's law firm)
TCUD: Texas Credit Union Department

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About the Coalition
The Coalition for Credit Union Charter Options is an education and advocacy group formed to represent the interests of credit unions that want to preserve charter choice under reasonable rules and at a reasonable cost. We promote and defend the right of credit unions to choose the type of financial services charter and organizational structure that they believe best suits the needs of their customers and the communities they serve.