



April 13, 2026

Ms. Melane Conyers-Ausbrooks
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

RE: Bank Conversions and Mergers, Subpart A-Conversion of Insured Credit Unions to Mutual Savings Banks
(Docket No. NCUA-2026-0266-0001; RIN 3133-AG01)

Dear Ms. Conyers-Ausbrooks:

On behalf of its member credit unions, the Cooperative Credit Union Association, Inc. ("Association") appreciates the opportunity to comment on the National Credit Union Administration (NCUA) Board's proposed rule on Bank Conversions and Mergers, Subpart A-Conversion of Insured Credit Unions to Mutual Savings Banks. This proposed rule is one of three proposals issued as "Round Five" of the NCUA Deregulation Project. The Association is the state trade association representing nearly 160 state and federally-chartered credit unions located in the states of Delaware, Massachusetts, New Hampshire, and Rhode Island, which further serve over 5 million consumer members. The Association developed these comments in consultation with our members.

The Association opposes this proposal and urges the Board not to finalize this rule. As proposed, NCUA's regulations on credit union conversions to mutual savings banks would be amended to remove the requirement that notices to members regarding the credit union management's plan to convert the credit union to a bank be "clear and conspicuous" as well as to remove the newspaper notice publication requirement, limit members' ability to communicate with other members concerning the proposed conversion, and rescind guidance on how a fair conversion vote should be conducted.

The Board adopted these provisions in 2006 to address then-occurring abuses in the credit-union-to-bank conversion process that one no longer hears about anymore. It would be a mistake to rescind these 2006 reforms that have successfully protected credit union members' interests for twenty years.

Twenty years ago, there was a small industry of consultants urging credit union boards and managers to convert their credit union to a mutual savings bank so that insiders could grow rich at the expense of the credit union's members. While members are legally the credit union's equity owners and shareholders, *see, e.g.*, 12 U.S.C. 1757(6) ("[T]o receive from its members... payments, representing equity, on shares..."), federal appeals courts have held that, at a mutual savings bank and most

other mutual thrifts, “[n]ominally the customers own the mutual, but it is ownership in name only.” *E.g., Ordower v. OTS*, 999 F.2d 1183, 1188 (7th Cir. 1993) (Opinion of Easterbrook, J.).

In addition to changing the credit union from a not-for-profit cooperative into a for-profit mutual, this means conversion also changes the legal and equitable nature of the member’s interest in the institution from one of an equity shareholder to that of a bank customer with “ownership in name only.” These conversions also are not in the members’ interests as an economic matter because the institution, by becoming a for-profit bank, will now increase rates at the members’ expense both because it will seek to maximize profits as well as because it would no longer be tax-exempt.

In addition, a typical credit-union-to-mutual-bank conversion transaction would ultimately involve a second-step conversion whereby the former credit union would become a stock federal savings association organized in a mutual holding company structure in which the former credit union’s management could indirectly own up to 49% of the former credit union’s equity through holding-company shares. Often, this equity was granted to insiders in the form of employee stock ownership plans (ESOPs) or similar stock-award programs that required little or no cash investment on their part.

NCUA at that time also documented abuses in the conversion election process. These included insiders receiving a running count of the votes for and against the conversion while voting was still taking place so that they knew how many additional votes in favor of the conversion they needed to drum up to put the conversion over the top. The Board’s guidance on how to run a free and fair election is therefore useful to all parties and perhaps should be made binding on the auditors who must certify such elections.

These abuses no longer occur because the NCUA Board took action in 2006 to better inform credit union members about their rights and what they would be losing by having their tax-exempt, not-for-profit credit union convert to a for-profit bank.

The Board now eliminating the requirement that the notice to members be “clear and conspicuous” would not be in the public interest because then the notice could be written in small type at the top of a periodic credit union account statement in a placement where no members would notice.

Removing the newspaper publication notice in a local newspaper of record—something that is required for far more common and sundry transactions such as auctions of repossessed vehicles or regarding the probate of deceased estates—would not be in the public interest because these notices are typically also posted on the internet, are systematically reviewed by local law firms, and also serve as a form of permanent legal record in the local community that publication in more ephemeral media, like the internet, does not achieve.


Limiting members ability to share their concerns about a proposed conversion to a bank by allowing the promoters of the conversion to invoke a subjective

“inappropriateness” standard to block such communications would also not be in the public interest because the promoters of the conversion would have a conflict of interest giving them an incentive to block such communications based on pretexts.

The Association therefore urges the Board not to finalize this rule. It is not broken, so there is no reason to fix it.

Thank you for the opportunity to comment on the NCUA Board’s proposed rule Bank Conversions and Mergers, Subpart A-Conversion of Insured Credit Unions to Mutual Savings Banks. If you have any questions or desire further information, please do not hesitate to contact the Association at (508) 481-6755 or govaff-reg@ccua.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Ronald McLean". The signature is fluid and cursive, with a large initial "R" and a long horizontal stroke at the end.

Ronald McLean
President/CEO
Cooperative Credit Union Association, Inc.
rmclean@ccua.org