

Coalition for Credit Union Charter Options

*Lee Bettis
Executive Director*

September 21, 2006

Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

RE: **RIN 3064-AD09**

Dear Sir:

We are writing to comment on the proposed regulations on FDIC assessments (RIN 3064-AD09), 71 *Federal Register* 41910, July 24, 2006. The Coalition is an education and advocacy group formed to represent the interests of credit unions that want to preserve the option to convert to the mutual savings bank charter. I am the former CEO of a credit union that converted to an FDIC-insured institution and our advisory board is comprised of three CEOs currently running FDIC-insured institutions.

We would like to see the FDIC modify two of its proposed regulations affecting credit unions that convert to FDIC-insured institutions.

New Institutions

Having converted to the thrift charter, former credit unions should not be considered “new institutions” automatically. They are successful, well-managed depositories with a long history of service to their members, an established reputation in their market, and a track record of regulation and examination by a federal deposit insurer and, in some cases, also by a state regulator. They are quite unlike *de novo* banks and thrifts that are newly chartered.

Supervisory Group A

Prior to approving a converting credit union’s application, the FDIC and the OTS will conduct an in-depth entrance examination of the institution, which provides an opportunity to evaluate its operations and financial condition in detail. CAMEL ratings are not assigned in these examinations.

Nevertheless, as part of its application for the new charter and FDIC insurance, the converting credit union must submit a three-year business plan, to which the FDIC and OTS may require changes after their reviews. The institution must follow this plan for three years, reporting quarterly on its performance against the plan and obtaining FDIC and OTS approval for any material change.

Because they are already sizable institutions with a significant asset base, former credit unions grow at a measured pace, unlike *de novo* institutions that are subject to volatility when trying to gain a foothold in the marketplace. And because of their business plan commitments related to the charter conversion, former credit unions are managed under a special reporting regime in their first three years as FDIC-insured institutions.

For these reasons, we believe it is appropriate to assign them to Supervisory Group A, following their conversion to an FDIC-insured institution and until they undergo their first formal examination by the OTS or other banking regulator in which CAMELS ratings would be formally assigned. Furthermore, we believe they should be presumed to have CAMELS ratings not less favorable than 2 during that period.

In our opinion, the suggested changes would result in fairer treatment of former credit unions insured by the FDIC without added risk to the deposit insurance fund.

Thank you for your consideration.

Yours truly,
COALITION FOR CREDIT UNION CHARTER OPTIONS
Lee Bettis

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