NASCUS
The National Association of State Credit Union Supervisors

April 13, 2026

Melane Conyers-Ausbrooks
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: Request for Comments:

RE: Comments on Proposed Rule – 12 CFR Part 708a, Conversions of Insured Credit Unions to Mutual Savings Banks.

Dear Ms. Conyers-Ausbrooks:

The National Association of State Credit Union Supervisors (NASCUS)[1] appreciates the opportunity to comment on the NCUA's proposed amendments to Part 708a regarding the Board's efforts to eliminate provisions in the rule that it views as burdensome.[2] Generally, NASCUS supports the changes the Board is proposing in this rule. NASCUS agrees that as currently written, many of the provisions of 708a are unduly prescriptive and overly burdensome to federally insured state credit unions (FISCUs), many of which have state specific regulations governing conversion. Furthermore, rules governing the charter conversion of a FISCU are a matter for that credit union's state regulator. Given the tenuous safety and soundness risk presented by a charter conversion, NCUA should defer to state regulations to govern a FISCU's conversion.

NASCUS acknowledges concerns of some system stakeholders regarding change in control of a credit that converts to a mutual bank charter. Nothing in our comments diminishes our support of, and commitment to, the need for disclosure to members to make an informed decision on the choice before them. Rather, our focus remains on ensuring a proper balancing of the dual chartering system by maintaining appropriate deference to state regulatory authority.

Our comments that follow address specific provisions of NCUA's proposal as well as additional changes NCUA should make to § 708a.

[1] NASCUS is the professional association of the nation's forty-six state and territorial credit union regulatory agencies that charter and supervise almost 1800 state credit unions. NASCUS membership includes state regulatory agencies, state chartered and federally chartered credit unions, and other important stakeholders in the state system. State-chartered credit unions hold approximately half of the $2.5 trillion assets in the credit union system and are proud to represent nearly half of the 146 million members. The remaining 5 states lack state-chartered credit unions.

[2] Bank Conversions and Mergers, Subpart A-Conversion of Insured Credit Unions to Mutual Savings Banks, 91 Fed. Reg. 6141 (February 11, 2026).

§ 708a.101

The proposed rule would eliminate § 708a.101's "clear and conspicuous" definition. This definition mandates specific formatting, such as bold type and a minimum 12-point font size. NASCUS supports this proposed change, as the requirements being eliminated are overly prescriptive and supplant a credit union's duly elected board of directors' business judgment and fiduciary duties to the membership.

§ 708a.103(a)(1)

The proposed rule would eliminate the requirement for credit unions' to publish notice of the proposed conversion in a newspaper. Again, NASCUS supports this change. The requirement to publish notice in a newspaper is archaic and no longer the best method for notifying members. As such, removal of this requirement eliminates burden, while having little to no impact on member protections.

§ 708a.104(d), (e), and (f)

The proposed would remove the typographical requirements and the examples of "simple and easy to understand" from § 708a.104. In addition, the proposal would remove subparagraph (f)(5) regarding submission of member materials to the Regional Director within seven (7) days of receipt of the member request if the credit union believes the member request to be improper. NASCUS also supports these changes. Imposing typographical requirements and requiring NCUA review of member requests that are improper are overly burdensome and, again, supplant the business judgement and fiduciary duties of a credit union's board of directors. NASCUS also supports removing the examples of what it means to have notice be "simple and easy to understand."

NASCUS supports the above-mentioned changes, as they are all overly prescriptive. As importantly, with respect to FISCUs, these provisions unnecessarily substitute NCUA's judgement over that of the state that issued the FISCU's charter and is the appropriate regulator to address FISCU governance questions.

The proposed rule would also eliminate non-regulatory guidance from the rule text and reserve such information for guidance related documents. NASCUS appreciates that guidance in a regulation can often cause confusion for examiners and credit unions and we do not object to this proposed change. However, we note that guidance can be invaluable in to credit unions developing compliance programs and there are advantages to having the guidance easily accessible to stakeholders referencing a specific regulation.

Additional Concerns

While NASCUS supports the foregoing changes, we believe NCUA could do more to better calibrate NCUA's rules. We note that the mandate from Congress in § 1786 of the Federal

Credit Union Act ("the Act"), states that the Board may prescribe rules and regulations for the administration of this chapter (including, but not by way of limitation, the merger, consolidation, and dissolution of corporations organized under this chapter).[3] NCUA's authority in this respect is discretionary, not mandatory. Nothing in the record indicates Congress expressly intended NCUA to broadly preempt state law with respect to FISCU's legally permissible conversion authority beyond mandatory provisions included in the statute.

To the extent that regulatory oversight is necessary for FISCUs, the state regulators are in a better position to address the unique circumstances, regulate and supervise governance issues, including a state-chartered credit union's converting to another charter type. NASCUS also believes that the unique structure of most state regulators also makes them more efficient at overseeing the conversion from one charter to another. This efficiency is derived from the fact that a majority of state regulators oversee both credit unions and banks, whereas such regulation on the federal front is split among different regulators.

As such, NASCUS implores the Board to review part 708a and eliminate any regulatory provisions, not expressly required by statute or related to material risk to federal share insurance, from being applied to state-charted credit unions.

NASCUS has identified the following provisions that are governance related and should, at minimum, be eliminated from application from state-chartered credit unions:

1. 708.103 – The provisions of this section impose a regulatory system on creating and disseminating public notice of a credit union's intent to convert. In contrast, the Act only requires that a credit union provide notice to members in specific time frames before a vote to convert. The requirements of this section are governance based and override a credit union's board's business judgment in how to best notify members of the credit union's intent to convert. To the extent NCUA is concerned about the protection of members, NASCUS again argues that such protection should be administered by the states. NASCUS is not aware of any major lapses in member protection before NCUA instituted the governance portion of part 708a. Further, as noted above, state regulators are closer to the entities they charter and regulate and are, thus, in the best position to address member protections if necessary.

2. 708a.104 – while the genesis of this section is rooted in the statutory mandate that an insured credit union proposing to convert submit notice to its members 90-, 60-, and 30- days before the member vote on the conversion, the bulk of the requirements in this section are again governance related. While NASCUS supports member protections, it also believes NCUA has strayed too far from its statutory mandate and actually created a limitation on a credit union's ability exercise powers conferred by state law. Rather than overregulate, NCUA should entrust the boards of credit unions elected to run these institutions and, in

[3] 12 U.S.C. 1786. Emphasis added.

instances where regulatory oversight is needed, defer to the state regulators and defer to their authority in the dual charter system and chartering agencies.

NASCUS appreciates the opportunity to comment on NCUA's proposed rule and applauds the Board for looking at regulatory burden. However, NASCUS believes NCUA also has an opportunity to eliminate even more unnecessary regulatory burden and recognize the strength of the dual chartering system by eliminating unnecessary preemption of state authority: leaving the state's to regulate in areas they are better suited to regulate, while also freeing NCUA to devote its resources to federally chartered credit unions and systemic oversight of the credit union system.

We reiterate our support for robust disclosures to members; disclosures is best governed for FISCUs by state law and state regulation.

Sincerely,

- signature redacted for electronic publication -

Craig Money
Vice President
Regulatory Affairs & AML/AFC Compliance