



# GREATER CINCINNATI CREDIT UNION



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May 23, 2005

Proposed Rule for FDICIA Disclosures, Matter No. R411014  
Federal Trade Commission/Office of the Secretary  
Room H-159 (Annex A)  
600 Pennsylvania Avenue, NW  
Washington, DC 20580

Re: Proposed Rule for FDICIA Disclosures,  
Matter No. R411014

Dear Commission:

On behalf of my Board of Directors, our 16,000 members and their families, thank you for the opportunity to comment on the above proposed rule.

## **I. Background**

The Greater Cincinnati Credit Union (GCCU) was State chartered in 1935 as the Cincinnati Teachers Credit Union. Over the years, the name has changed to be reflective of our growing membership. We serve over 140 select employee groups, employees, students, alumni of area schools and local communities as provided in our charter. We have six locations, eight public ATMs and assets totaling \$87 million. Until 1983, GCCU was insured by the NCUA.

In 1983, NCUA levied a special assessment on its insured credit unions. This action prompted our Board of Directors to seek and consider alternative insurance options available to Ohio chartered credit unions. At that time, the National Deposit Guaranty Corporation (NDGC), now known as American Share Insurance (ASI), was a State approved option. We made application to NDGC in June 1983 and met their financial requirements for membership.

In September 1983, our membership (7,300) overwhelmingly approved by 97.6% the conversion to private insurance. Insured deposit coverage increased from the \$100,000 NCUA limit per member to \$250,000 per account. This was an important feature to our members.

In the mid 1980's, Ohio experienced its own S&L crisis with the collapse of the Home State Savings Bank, a privately insured institution. During the five year time period ending in 1988, our membership increased 35% to 9,850 and our assets grew 85% to \$30 million. Our decision to become privately insured did not affect our ability to grow during this S&L debacle. Other failures across the country obviously resulted in stronger regulatory oversight and the adoption of FDICIA in 1991.

With the 1991 passage of FDICIA, we now complied with the disclosures as set forth in the act. Every piece of literature, receipt, signature card and monthly statement properly displayed the fact we were privately insured and not backed by the US Government.

In 1994 we mailed three times to our membership seeking their further acknowledgement of the fact they knew their monies were on deposit with a privately insured credit union. This additional costs and burden resulted in over 80% of our members responding with signature.

Today we prominently display and post, including website, the necessary notices throughout our lobby and teller areas our private insurance with ASI. All periodic statements, deposit receipts, certificate forms, sharedraft disclosure, newsletter, advertising etc. include the statement that we are not federally insured. All done under the direction and authority of our Ohio State Regulator/Examiner, ASI Auditor, CPA Firm and the general public.

## **II. The Proposed Rule**

### **Disclosures**

In general, we do not take exception to the need to properly disclose to our members the fact we are a privately insured institution. As outlined above, we have diligently complied with all disclosure requirements as originally provided in FDICIA. (examples are provided)

We would object to any deviation or added burden to disclose beyond that similarly required of the NCUA or FDIC. Any disclosure greater than either of the Federal Agencies requirements would be unfair, costly and implying that a privately insured institution poses greater risk than a federally insured one. When in fact it is not the insurance that poses the risk, it's the actions of management and regulating authority.

Disclosure is an act of information being conveyed to a reader/listener. Privately insured credit unions are required to advise through disclosure the fact they are not federally insured. Federal agencies are required to disclose their government backing but have no further need to disclose that limits above the insured amount are not insured at all. This poses a question of disclosure need for "Uninsured" risk to the depositor in a federally insured credit union.

Signage Disclosure as proposed raises some concerns regarding ATM's. Our eight ATM's are all cash dispense only machines (no deposit allowed) currently displaying the prescribed participants and networks available to the user. We participate with local banks to offer our machines along with their ATMs, access without the cost of a surcharge. We also participate in a nationwide network. Requiring a notice on an ATM machine is unnecessary. ATM cardholders of a privately insured credit union received their cards under

an already disclosed agreement such as the membership card or sharedraft disclosure notice.

Though we are not part of any shared branching network today, requiring signage disclosure under these arrangements would prove difficult, confusing and undermines the purpose of the shared facility.

Disclosure as part of a merger agreement between a privately insured and state chartered federally insured credit union should be properly noted as part of any merger agreement, regardless of who is the surviving credit union. But any disclosure that implies or requires a preference of insurance, weakness or risk beyond normal existing language, is unacceptable. The membership should be given all necessary information as it pertains to any merger. The member owner votes in their interest, not the insuring or regulatory interests.

The rule addresses the issue of Acknowledgement of Disclosure and speaks to the requirements we were subjected to in 1994. We hope the agency does not impose yet again the need to incur significant time, costs and added burden to require individuals **to acknowledge what they already know**. For the record, our system is still tracking the response to the mailings in 1994. At that time, our response to the mailings was over 50%.

We don't need acknowledgement above and beyond the required disclosure at the time of opening a membership account and the ongoing reminders displayed throughout our facilities. This is unnecessary overburden.

### III. Questions for Comments

- A. Types of banks and savings associations that do not have federal deposit insurance?** To my knowledge, there are only credit unions that have access to private insurance (primary) through American Share Insurance in states so authorizing. **How Many?** I believe ASI has over 200 primary insured credit unions and 400 additional credit unions acquiring the excess coverage to supplant NCUA coverage and eliminate the uninsured risk to their members.
- B. What Costs or burdens would the proposal impose?** Conservatively estimating an annual cost of \$3/member, we would be adding \$50,000 minimally to our budget.
- C. What regulatory alternatives are available to reduce the burdens?** Compliance under FIDICIA since its passage in 1991 has been left to the privately insured credit unions, ASI and our State Regulator. The FTC should consider directing both the State and ASI to assure compliance through their normal audit/examination schedules.
- D. Are the proposed advertising disclosure requirements appropriate and consistent?** Yes, with exceptions noted in section II of this comment letter.
- E. What Impact would the proposed rule have on existing state requirements?** None if left to the oversight of the State.
- F. What effect would it have on Puerto Rican credit unions?** Not qualified to answer.

- G. Is it appropriate for the Commission to exempt institutions that do not receive initial deposits of less than \$100,000?** No, FDICIA is about proper disclosure not the size or amount of a single deposit.
- H. Does the list of locations in section 320.4(a) accurately describe the types of locations where deposits are normally received?** Yes
- I. What should the effective date period for final requirements?**  
Minimum 180 days.

#### **IV. Summary**

The foundation and underlying motivation for the 1991 passage of FDICIA is well documented by the historical events in the 1980's. It's unfortunate that it has taken fifteen years to fund the legislation for oversight and regulation.

During these past fifteen years, privately insured credit unions have gone about the business of serving our members under the auspices of FDICIA rules. It would be a travesty if the FTC decides to "reinvent, re-impose, re-define" rules and regulations that serve no more purpose today than in 1991 and 1994. There are risks associated with all financial and investment institutions. The arguments are about protecting the consumer/member/customer. The question should start with the safety and soundness practice of the institution. A well managed organization precludes the debate of insurance type or preference (private vs. fed).

Given the many legislated changes that have occurred over these same fifteen years, it's fair to say that FDICIA and the events leading up to its passage have gone a long way to improving the overall governance and oversight of financial institutions and especially privately insured credit unions.

When all the debate and the final promulgation of these rules are finalized, It's our hope that in the end we won't encounter new burdens of old disclosure, costs that erode net income, and create new threats to the dual chartering of credit unions. In the end, it comes down to TRUST!

People want to do business with organizations of people they trust. Our own experience has shown that. Our decision to become a privately insured institution has not impaired our ability to meet that need of the trust of our members, grow responsibly and fulfill our need to comply with FDICIA.

Leave the responsibility of FDICIA's requirements in the hands of the State Regulators who by state legislation give the option of private insurance.

Thank you for the opportunity to comment.

Respectfully,

Daryl T. Sawyer  
Chief Executive Officer

Cc:

Mr. Ken Roberts, Acting Deputy Superintendent  
Division of Financial Institutions  
State of Ohio

Mr. Dennis Adams, President/CEO  
American Share Insurance

Mary Martha Fortney, President  
National Association of State Credit Union Supervisors

Harriet Russell, President  
Greater Cincinnati Credit Union