

**NATIONAL CREDIT UNION
ADMINISTRATION****12 CFR Part 708b****Mergers of Federally-Insured Credit
Unions; Voluntary Termination or
Conversion of Insured Status**

AGENCY: National Credit Union
Administration ("NCUA").

ACTION: Final rule.

SUMMARY: The final rule amends the disclosure forms in NCUA's regulations relating to mergers and voluntary termination or conversion of insured status. The amendments inform the members that, if their credit union converts to nonfederal insurance, the private insurance fund insuring their accounts is not backed by the full faith and credit of the United States government. It also informs the members that, if their credit union terminates insurance, their shares, excluding those covered for one year, are no longer insured by the federal government or any other entity.

DATES: The rule is effective April 1, 1998.

FOR FURTHER INFORMATION CONTACT: Mary F. Rupp, Staff Attorney, Office of General Counsel, 1775 Duke Street, Alexandria, Virginia 22314-3428 or telephone: (703) 518-6540.

SUPPLEMENTARY INFORMATION:**Background**

On November 24, 1997, the NCUA Board requested comments on proposed changes to part 708b of its regulations. 62 FR 64187 (December 4, 1997). Part 708b sets forth the procedures and disclosure requirements for credit unions proposing to terminate insurance or convert to private insurance.

Sections 708b.301(a)(1) and (b)(1) contain the form notices that are sent to the members if a credit union is seeking to terminate federal insurance. The proposal amended the notices by clarifying that, if the credit union fails, the members' shares are no longer insured by the federal government or any other entity.

Sections 708b.302(a)(1), (a)(2), (b)(1) and (b)(2) contain the form notices and ballots that are sent to the members if a credit union is seeking to convert from federal to nonfederal insurance. The proposal added a sentence to the notice and ballot explaining that NCUA insurance is backed by the full faith and credit of the United States government and that the private insurance the member will receive if the credit union converts is not backed by the United States government.

Summary of Comments

The NCUA Board received 11 comments on the proposal: two from private insurers; three from credit union trade groups; three from state leagues; and three from credit unions. Ten of the 11 commenters generally supported the disclosure requirements. Six fully supported them and four had some suggested changes to the disclosure language. Two of the six that fully supported the proposal were the private insurers. Both private insurers stated that the proposed disclosures are fair, consistent with existing law, and in the best interest of the members.

Two of the commenters suggested that the rule allow credit unions to describe in the disclosure some of the positive aspects of the private insurer. The NCUA Board does not object to the credit union disclosing in another document positive aspects of the private insurer but believes that the disclosure and ballot should be limited to the key facts that distinguish private insurance from federal insurance.

Two of the commenters believe that proposed §§ 708b.302(a)(2) and (b)(2) give the impression that federal insurance is better than private insurance. One commenter suggests deleting the language at the end of each of those sections that states, unlike private insurance, federal insurance is backed by the full faith and credit of the United States government. The NCUA Board believes it is important that the members are aware of this fundamental difference between the two types of insurance.

Two of the commenters take exception to the implication that NCUA's federal insurance is backed by the full faith and credit of the United States government. One commenter acknowledges that ultimately it is backed by the United States government, but believes that the steps leading to that backing should be disclosed. The NCUA Board stands by the statement that the National Credit Union Share Insurance Fund is backed by the United States government and believes that the focus of the disclosure should be on this point. Competitive Equality Banking Act of 1987, Pub. L. No. 100-86, section 901 (1987).

The negative commenter objects to the disclosures as they apply to the insurance provided by PROSAD-COOP which insures the shares of credit unions chartered under local law in Puerto Rico. The commenter states that PROSAD-COOP is guaranteed by the government of Puerto Rico. That statement is incorrect. Puerto Rican law provides only for the Secretary of the

Treasury to lend funds to PROSAD in a limited amount. Contrary to the contention of the commenter that raised this issue, PROSAD's position with respect to the Puerto Rican government is quite different than the National Credit Union Share Insurance Fund's position with respect to the United States government. There is specific statutory authority in the Competitive Equality Banking Act of 1987 providing that the National Credit Union Share Insurance Fund is backed by the full faith and credit of the United States government.

Final Rule

Based on the comments and the Board's continued belief that the information as stated in the proposed rule must be disclosed in order for a member to make an informed vote on the proposed transaction, the Board has adopted the proposed rule as its final rule. Disclosure of this information is consistent with the disclosure requirements Congress imposes on credit unions lacking federal insurance.

Regulatory Procedures*Regulatory Flexibility Act*

The Regulatory Flexibility Act requires the NCUA to prepare an analysis to describe any significant economic effect any regulation may have on a substantial number of small credit unions, meaning those under \$1 million in assets. The NCUA Board has determined and certifies that the final rule will not have a significant economic impact on a substantial number of small credit unions. The reasons for this determination are that the proposed rule requires the addition of two sentences to the disclosure form used by credit unions converting to nonfederal insurance. The addition of these two sentences will not increase the costs of the conversion and therefore will not create a financial burden. Accordingly, the NCUA Board has determined that a Regulatory Flexibility Analysis is not required.

Executive Order 12612

Executive Order 12612 requires NCUA to consider the effect of its actions on state interests. The final amendments will apply to all federally insured credit unions. The final amendments are not designed or intended to interfere with the state regulation of state chartered institutions. However, the Board is modeling this rule on federal legislation that specifically applies to state chartered credit unions. The NCUA Board has determined that the final amendments

are not likely to have any direct effect on states, the relationship between the states, or the distribution of power and responsibilities among the various levels of government.

Paperwork Reduction Act

The final rule requires the credit union to provide to its members information provided by NCUA. The Paperwork Reduction Act does not apply to disclosures that are directives for a person to disclose information completely supplied by the agency. 5 CFR 1320.3(c)(2).

Congressional Review

Awaiting OMB determination.

List of Subjects in 12 CFR Part 708b

Bank deposit insurance, Credit unions, Reporting and recordkeeping requirements.

By the National Credit Union Administration Board on February 25, 1998.

Becky Baker,

Secretary of the Board.

Accordingly, NCUA amends 12 CFR part 708b as follows:

PART 708b—MERGERS OF FEDERALLY-INSURED CREDIT UNIONS; VOLUNTARY TERMINATION OR CONVERSION OF INSURED STATUS

1. The authority citation for part 708b continues to read as follows:

Authority: 12 U.S.C. 1766, 1785, 1786, 1789.

2. In section 708b.301, paragraph (a)(1) is amended by revising the second paragraph of the *Notice of Proposal to Terminate Federal Insurance* and paragraph (b)(1) is amended by revising the third paragraph of the *Notice of Proposal to Merge and Terminate Federal Insurance* to read as follows:

§ 708b.301 Termination of insurance.

(a) * * *

(1) *Notice of Proposal to Terminate Federal Insurance.*

* * * * *

If approved, any deposits made by you after the date of termination, either new deposits or additions to existing accounts, will not be insured by the NCUA or any other entity. In the event the credit union fails, these deposits are not insured by the federal government. No provision has been made for alternative insurance, therefore, these deposits will be uninsured.

* * * * *

(b) * * *

(1) *Notice of Proposal to Merge and Terminate Federal Insurance.*

* * * * *

Any deposits made by you after the effective date of the merger, either new

deposits or additions to existing accounts, will not be insured by the NCUA or any other entity. In the event the credit union fails, these deposits are not insured by the federal government. No provision has been made for alternative insurance, therefore, these deposits will be uninsured. Accounts in the merging Credit Union on the date of the merger, up to a maximum of \$100,000 for each member, will continue to be insured, as provided in the Federal Credit Union Act, for one (1) year after the close of business on the date of the merger, but any withdrawals after the close of business on that date will reduce the insurance coverage by the amount of the withdrawal.

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3. In Section 708b.302, paragraph (a)(1) is amended by adding two sentences at the end of the second paragraph of the *Notice of Proposal to Convert to Nonfederally-Insured Status*, paragraph (a)(2) is amended by adding a sentence at the end of the second paragraph of the ballot, paragraph (b)(1) is amended by adding two sentences at the end of the second paragraph of the *Notice of Proposal to Merge and Convert to Nonfederally-Insured Status* and paragraph (b)(2) is amended by adding a sentence at the end of the second paragraph of the ballot to read as follows:

§ 708b.302 Conversion of insurance.

(a) * * *

(1) *Notice of Proposal to Convert to Nonfederally-Insured Status*

* * * * *

* * * The insurance provided by the National Credit Union Administration, an independent agency of the United States, is backed by the full faith and credit of the United States government. The private insurance you will receive from _____ is not guaranteed by the federal or any state government.

(2) * * *

* * * The private insurance provided by _____ is not backed by the full faith and credit of the United States government as is the federal insurance provided by the National Credit Union Administration.

* * * * *

(b) * * *

(1) *Notice of Proposal to Merge and Convert to Nonfederally-Insured Status*

* * * * *

* * * The insurance provided by the National Credit Union Administration, an independent agency of the United States, is backed by the full faith and credit of the United States government. The private insurance you will receive from _____ is not guaranteed by the federal or any state government.

(2) * * *

* * * The private insurance provided by _____ is not backed by the full faith and credit of the United States

government as is the federal insurance provided by the National Credit Union Administration.

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DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. 97-CE-62-AD; Amendment 39-10375; AD 98-05-14]

RIN 2120-AA64

Airworthiness Directives; Cessna Aircraft Company Models T210N, P210N, and P210R Airplanes

AGENCY: Federal Aviation Administration, DOT.

ACTION: Final rule.

SUMMARY: This amendment adopts a new airworthiness directive (AD) that applies to Cessna Aircraft Company Models T210N, P210N, and P210R airplanes. This action requires revising the FAA-approved Airplane Flight Manual (AFM) to specify procedures that would prohibit flight in severe icing conditions (as determined by certain visual cues), limit or prohibit the use of various flight control devices while in severe icing conditions, and provide the flight crew with recognition cues for, and procedures for exiting from, severe icing conditions. This AD is prompted by the results of a review of the requirements for certification of these airplanes in icing conditions, new information on the icing environment, and icing data provided currently to the flight crew. The actions specified by this AD are intended to minimize the potential hazards associated with operating these airplanes in severe icing conditions by providing more clearly defined procedures and limitations associated with such conditions.

DATES: Effective April 30, 1998.

ADDRESSES: This information may be examined at the Federal Aviation Administration (FAA), Central Region, Office of the Regional Counsel, Attention: Rules Docket No. 97-CE-62-AD, Room 1558, 601 E. 12th Street, Kansas City, Missouri 64106.

FOR FURTHER INFORMATION CONTACT: Mr. John P. Dow, Sr., Aerospace Engineer, Small Airplane Directorate, Aircraft Certification Service, 1201 Walnut, suite 900, Kansas City, Missouri 64106, telephone (816) 426-6932, facsimile (816) 426-2169.