



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

LS/HMU:cch  
3500

JUN 13 1985

Charles L. Williams, III, Esquire  
Blalack and Williams  
14673 Midway Road, Suite 107  
Dallas, TX 75244

Dear Mr. Williams:

This is in response to your letter of May 29, 1985, to Hattie Ulan of this Office, concerning comment letters on the recent change to Part 721 of the NCUA Rules and Regulations, 12 C.F.R. Part 721. You requested copies of comment letters from those commenters affiliated with the State of Texas. We received comments from seven Federal credit unions located in Texas. Copies of those letters are enclosed.

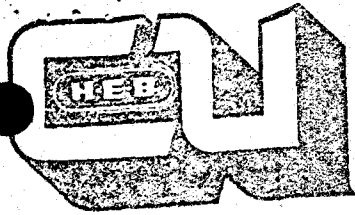
We hope that we have been of assistance.

Sincerely,

STEVEN R. BISKER  
Assistant General Counsel

Enclosure

Vol 100 11.0 TT Part A - Includes 1.00 Attachment



*acknowledged*  
12/27/84  
*le*

December 6, 1984

RECEIVED  
Dec 17 1 28 PM '84  
CHAIRMAN  
NCUA

Rosemary Brady  
National Credit Union Adm. Board  
1776 G Street, N.W.  
Washington, D.C. 20456

Dear Ms. Brady:

In reference to the proposed rule: Federal Credit Union Insurance and Group Purchasing Activities, the following comments are submitted:

Reference, issue for comment:

1. It is concurred that no reimbursement restrictions limit should exist. The rate should be negotiable with each Credit Union's particular involvement.

The cost of administration of one insurance program versus another is extremely variable. No Credit Union should be operating under a limitation that does not properly offset the investment of time and effort to administer an insurance program that is significant in the security of lending and savings practices.

I apologize for the delay in these comments, I hope they will be considered in the overall review of these particular issues.

Your time in this matter is appreciated.

Sincerely,

Timothy J. Bernas  
General Manager  
H.E.B. Federal Credit Union

TJB/bp

REK

- 1  
acknowledged  
AUG 13 1984  
8/17/84  
RW 373

GULF EMPLOYEES FEDERAL CREDIT UNION  
P.O. BOX 2100  
HOUSTON, TEXAS 77252

August 6, 1984

National Credit Union Administration  
Attn.: Ms. Rosemary Brady - Secretary  
1776 "G" Street N.W.  
Washington, D.C. 20456

Re: Proposed Rule - F.C.U. Insurance  
and Group Purchasing Activities

Dear Ms. Brady:

My feelings are that the fears concerning "reverse competition" (where creditors seek out the insurance paying the highest commission) are perhaps overemphasized. Credit Unions primary function is "service" rather than "profit". I therefore feel the question would not become serious and regulation can be left to state and local bodies as well as the individual credit union boards.

I have no strong feelings on Compensation for Group Purchasing Plans. In my experience, the emphasis is service and any compensation is incidental. My concern here is that credit unions do have authority to effectively compete with as many services as seem necessary in a particular market place. Banks are expanding their services.

Respectfully,  
*Ray E. Knerr*  
Ray E. Knerr, Manager

REK/rp

RMP

acknowledged  
12/10/81  
[Signature]

GULF EMPLOYEES FEDERAL CREDIT UNION  
P.O. BOX 2100  
HOUSTON, TEXAS 77252

November 14, 1984

RECEIVED  
NOV 20 11 33 AM '84  
CHAIRMAN  
HCQUA

National Credit Union Administration Board  
Attention: Rosemary Brady  
1776 G Street, N.W.  
Washington, D.C. 20456

Subject: Federal Credit Insurance and Group  
Purchasing Activities

Gentlemen:

I would eliminate reimbursement restrictions on the theory  
that the market place will tend to regulate what can be  
done.

I very much suspect other financial institutions will  
provide credit unions some very strong competition in the  
years ahead.

Respectfully,

[Signature]

Ray E. Knerr, Manager

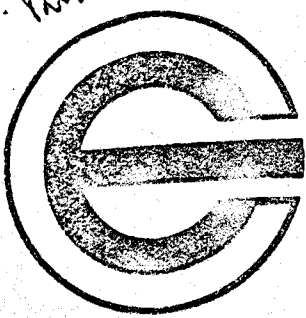
REK/rp

cc: Financial Services/Regulation Analysis Dept.  
Texas Credit Union League  
P. O. Box 225147  
Dallas, TX 75265

*ms*

*acknowledged*  
*9/11/84*  
*Rw* ✓

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**CEMCO FEDERAL CREDIT UNION**

P.O. BOX 270879

DALLAS, TEXAS 75227 - 0879

(214) 381-7181

J1-32(1)

August 28, 1984

Ms. Rosemary Brady  
Secretary NCUA Board  
1776 G Street North West  
Washington, DC 20456

Subject: Proposed Rule - Federal Credit Union Insurance and  
Group Purchasing activities

Dear Ms. Brady,

The revision of #721.2-Reimbursement is excellent and I will  
whole-heartedly endorse.

Thank You.

Very Truly Yours,

*Linda Jordan*  
Linda Jordan  
Treasurer/Manager

LJ/kb

Page -2-  
Rosemary Brady  
22 August 1984

RECOMMENDATION:

Remove the restrictions addressing reimbursement on credit and non-credit related insurance offerings.

Retain the restriction on group purchase and non-insurance related activities.

Retain the restrictive covenant on non-investment of officials, employees or members of their immediate family from receiving compensation or benefits from any activity under their basic policy.

Sincerely,



BILL ELLERSON  
Chairman  
Board of Directors

BE/FB/bp

**SECURITY SERVICE**  
FEDERAL CREDIT UNION

acknowledged  
9/11/84  
43

22 August 1984

RECEIVED  
AUG 31 2 20 PM '84  
CHAIRMAN  
NCUA

Rosemary Brady  
Secretary to the Board  
National Credit Union Administration  
1776 G Street, N.W.  
Washington, D.C. 20456

Dear Ms. Brady:

Reference proposed change to Part 721, NCUA Rules and Regulations. The following comments relate specifically to the three basic questions raised in the proposed rule.

1. We do not feel that retention of limits on reimbursements for extension of credit related insurance is an essential regulatory requirement. The incumbent responsibility of the Board of Directors is to weigh the value of the services offered. In an industry as highly regulated and competitive as the insurance industry is, it is unlikely that "reverse competition" would occur. A credit union that seeks out agencies paying the highest commission without due regard for the cost to its members is embarking on a self defeating program. That condition currently exists since rebate is based on premium volume, but apparently it is not an abuse that has attracted the attention of either members or examiners.
2. Based on the above, we recommend the removal of limits on reimbursements.
3. The proliferation of non-credit related insurance activities is a silent testimonial of their value to the insurance industry. The pittance these companies pay for the administration of these programs by user group - credit unions; gas companies; retail stores further enhances their value. To our knowledge credit unions are the only institutions limited by regulation with respect to a reimbursement for their services. It is right and proper for reimbursements to be based on net premium in lieu of an arbitrarily fixed per annum unit return.

RMP

acknowledged  
2/17/74

55



**E.D.S. EMPLOYEES FEDERAL CREDIT UNION**

Rosemary Brady, Secretary  
NCUA BOARD OF DIRECTORS  
1776 G Street, N. W.  
Washington, D.C. 20456

Dear Rosemary Brady:

This letter is a response to your request for comment on limiting reimbursement to credit unions by insurance companies and other third party vendors.

I believe that such reimbursements should be limited to the greater of the credit union's actual out-of-pocket cost or 10 percent of the charge to the member.

The dominant influence of insurance companies on the credit union industry is shameful. Even insurance companies "owned" by the credit unions are a "tail that wags the dog". If we truly benefit our members we should not (1) encourage them to buy insurance they do not need, (2) expect them to pay more than the pure cost of protection, (3) require them to pay for "free" insurance on savings balances, or (4) over insure risks already protected by group insurance through their employment.

I believe that any product offered by a credit union to its members should be:

- a) a product of recognized quality or reputation
- b) sold at a price lower than can be obtained elsewhere
- c) suitable or needed by the majority of the membership.

NACUA examiners should investigate the cost and price of products offered and require credit union managers to justify any markup that exceeds cost by more than 10 percent.

I recommend that present regulations be continued.

Sincerely,

*Glen A. Scatterday*  
Glen A. Scatterday  
President