



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

November 8, 1991

Daniel L. Sailler, Esq.
Leon G. Kusnetzky P.C.
1011 West 103rd Street
Kansas City, MO 64114

Re: Insurance Conversions
(Your Telecopy of November 6, 1991)

Dear Mr. Sailler:

Since Governor Ashcroft signed Missouri House Bill No. 180 (the "Act") into law on March 7, 1991, the NCUA has worked rapidly to expedite the share insurance conversion process for Missouri credit unions insured by Mutual Guaranty Corporation ("MGC") and National Deposit Insurance Corporation. Region IV of NCUA accepted all applications to the National Credit Union Share Insurance Fund ("NCUSIF") within 90 days of passage of the Act, as required by Missouri law. Region IV has also acted expeditiously to examine all applying credit unions for eligibility, even though the Act has granted affected credit unions 24 months from the date of the passage of the Act to obtain NCUSIF insurance coverage, with an additional 12 month extension available upon state approval.

Region IV notified all Missouri credit unions applying for NCUSIF insurance that they would not be accepted until the final termination of their share insurance with MGC. To the best of our knowledge, MGC promptly notified all converting credit unions of the necessary procedures to be used to terminate MGC insurance coverage. Region IV reiterated these requirements to all converting Missouri credit unions insured by MGC.

NCUA is aware that, since the Act was passed, MGC has adopted two amendments to their Bylaws relevant to the conversion process. The first amendment, effective September 3, 1991,

FOIA IV, D

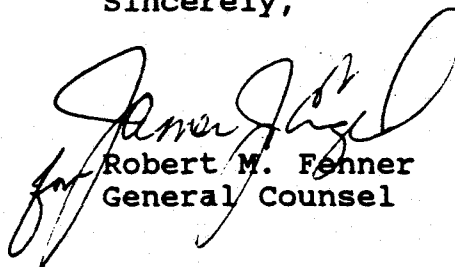
Daniel L. Sailler, Esq.
November 8, 1991
Page 2

permits MGC to waive termination procedures, in particular the requirement of a membership referendum on the issue of share insurance conversion. An attendant MGC Board of Director's resolution delegates this authority to the President of MGC. NCUA is in receipt of an MGC Secretary's Certificate regarding this amendment and the attendant resolution, and will accept legitimate waivers of termination procedures executed by the President of MGC. The second amendment, effective November 12, 1991, deletes the requirement for members of the converting credit union, MGC and appropriate regulators to be notified when share insurance converts to the NCUSIF. NCUA is in receipt of an MGC Secretary's Certificate regarding this amendment and will no longer review for compliance with this requirement after November 12.

It remains the position of the NCUA that a MGC insured credit union converting to NCUSIF share insurance must comply with all termination procedures required by the MGC Bylaws before it may be accepted for NCUSIF insurance. NCUA will accept valid waivers of termination requirements executed by the President of MGC. Any waivers of termination requirements or mutual releases are strictly matters between the converting credit union and MGC. If a waiver or mutual release subjects a credit union to any contingent or continuing liabilities, such as indemnification or attorneys' fees, NCUA will factor such obligations into its review of the financial soundness of the credit union and the economic advisability of extending NCUSIF insurance coverage.

We trust that this is responsive to your inquiry.

Sincerely,



Robert M. Fenner
General Counsel

GC/MEC:sg
SSIC 8500
91-0123v