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IN HONOR OF THE ALLIANCE OF
POLES OF AMERICA

HON. DENNIS J. KUCINICH

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Thursday, August 6, 1998

Mr. KUCINICH. Mr. Speaker, I rise today to honor the Alliance of Poles of America on the occasion of its centennial year.

The Alliance of Poles of America has a long and proud history. Its history shows how hard its members are prepared to struggle for what they believe to be right for their community, and to preserve the traditions and culture of Poland. The Alliance's early years were not easy, but the organization's spirit carried it through. The entire Cleveland community has benefited from the enduring and successful presence of the Alliance of Poles, not only in the area of insurance, but also of charity.

After the challenge of its first, difficult years, the Alliance had to deal with the two World Wars. For Americans of Polish descent, it was very hard to watch their countrymen suffer under the vicissitudes of war, and later the yoke of Communism. But the Alliance of Poles was steadfast in its commitment to democracy, and successfully strove to aid the people of their home country.

My fellow colleagues, on the occasion of its centenary, please join me in honoring this enduring and most worthy organization—the Alliance of Poles of America.

PROTECTING THE CREDIT UNION
MOVEMENT

HON. JOHN J. LaFALCE

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, August 6, 1998

Mr. LaFALCE. Mr. Speaker, I appreciated and supported the necessity to move quickly to pass H.R. 1151, the credit union field of membership bill, before the August recess. However, I remain troubled by one of the modifications the Senate Banking Committee made to the House version of the bill, which makes it easier for credit unions to become other types of financial institutions. I will continue to try to rectify this problem in other appropriate contexts. And I also encourage NCUA to use every means at its disposal to prevent credit union members from losing their ownership in a credit union at the hands of a very small minority.

A brief history of the conversion issue will illustrate my concerns. Through its regulations, the NCUA has quite rightly kept a tight rein on the conversion process, requiring a majority vote of all members of the credit union before a credit union can convert to a mutual thrift. This is a difficult standard, and it is meant to be. A credit union's capital, unlike that of any other financial institution, belongs to its members. Once the conversion to a mutual thrift is accomplished, the institution can easily convert to a stock institution, with the result that

a few officers and insiders of the former credit union—not to mention the attorneys who encouraged the deal—can wind up owing much or all the former credit union's capital in the form of stock. Thus, in order to prevent insiders from walking away with capital which belongs to the entire credit union membership, and depriving that membership of their credit union access, NCUA instituted the majority vote requirement. This requirement was subject to notice and comment rulemaking in 1995. The agency received no comments opposed to the majority vote requirement, while fully half the comments on this section urged the agency to institute a supermajority requirement. 60 F.R. 12660 (March 8, 1995). The NCUA Board then imposed the least burdensome voting requirement suggested by the commenters.

Recently, credit unions have been under tremendous pressure to convert to other types of institutions. Legitimate uncertainty about the outcome of the AT&T case, encouraged by lawyers who specialize in conversions, produced a record number of conversion applications over the past several years. These same individuals then complained that NCUA processed applications too slowly and that the conversion requirements were too rigorous. They persuaded some members of the Senate Banking Committee to override NCUA's regulation and to weaken conversion requirements by allowing conversions upon a majority vote only of those members voting. This means that a very small fraction of credit union members could force a credit union to convert, even against the wishes of the overwhelming majority of members who are either unaware or did not participate in a vote. This same faction can then profit by a further conversion to a stock institution.

While H.R. 1151 will address the field of membership issue for most credit unions, other restrictions imposed by the Senate version of the bill, such as the limits on loans to members for business purposes, will cause some credit unions to consider converting to other types of institutions. You can be sure that some outside consultants are already analyzing this legislation and preparing new arguments to credit unions as to why they should convert. This is why I urge NCUA to enhance its close scrutiny of conversion applications. While it may seem as if NCUA has very little discretion in this area, the legislation does at least grant them authority to administer the member vote, and require that a credit union seeking to convert inform the agency of its intentions 90 days before the conversion. I would like to point out several ways in which NCUA can continue to exercise vigilant oversight over the conversion process within this 90-day period.

First, I encourage NCUA to strictly supervise the notification of members regarding the impending conversion vote. The legislation requires that notice be sent 90, 60, and 30 days before the conversion vote. NCUA should require that these notices be separate and distinct from other mailings and statements. The notice must go beyond NCUA's current notice requirement and explain to members not only the facts of the conversion proposal, but also the fact that they will lose their ownership rights and that the member capital of the credit union could potentially be converted to private stock. Now that the members lack the protection of the majority vote requirement,

they must be informed about any and all possible outcomes of the conversion.

Further, NCUA must strictly supervise the process of taking the member vote. Where so much is at stake, both for the general membership and those seeking to convert, outside election monitors must be employed. NCUA should ensure that firms used for monitoring elections have no ties to the credit union, those seeking the conversion or the lawyers assisting in the conversion process. The monitoring firm should be required to submit a list of all its clients for the past five years. The monitoring firm and each member of the credit union board should then be required to sign a statement indicating that they have had no prior dealings, with falsification of these statements subject to criminal and civil penalties.

I would like to point out that such requirements are not barred by the instruction to NCUA to develop regulations consistent with other regulators' conversion requirements, as other types of financial institutions do not have members threatened with losing their capital. While I agree that regulatory requirements should be comparable between agencies when possible, this is a case where strict parallels are impossible. Also, the law allows NCUA to require the conversion vote to be taken again if it "disapproves of the methods by which the member vote was taken or procedures applicable to the member vote." This provision explicitly permits strict oversight by NCUA and I sincerely hope they will use it to protect credit union members. It allows disapproval for example, if there is less than a majority of members voting, as that would put a cloud over the efficacy of the notifications.

Mr. Speaker, as I said earlier, I do not want to oppose such an important piece of legislation that I had worked so hard to craft. However, I did feel obligated to note my concerns with the conversion provision and strongly encourage NCUA to enforce this provision very strictly.

CONGRATULATING MONSIGNOR
ALLIEGRO ON THE TWENTY-
FIFTH ANNIVERSARY OF HIS OR-
DINATION

HON. MICHAEL PAPPAS

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Thursday, August 6, 1998

Mr. PAPPAS. Mr. Speaker, it is my honor to congratulate Monsignor Michael J. Alliegro as he celebrates the twenty-fifth anniversary of his ordination to the priesthood.

Since his ordination in May 1973, Monsignor Alliegro has served the people of New Jersey in many ways. Upon ordination, he served as associate pastor of his childhood parish, Our Lady of Peace in Fords, New Jersey. He then served as vice principal of Saint John Vianney High School in Holmdel, New Jersey, as principal of Bishop Ahr High School in Edison, New Jersey and on the faculty of Immaculate Conception Seminary in South Orange, New Jersey.

When the Diocese of Metuchen was established in 1981, Monsignor Alliegro held various leadership posts in which he assisted parishes and citizens with their spiritual needs, in addition to helping to increase vocations to the priesthood.