MISSOURI CREDIT UNION ASSOCIATION

May 18, 2011

Mary Rupp
Secretary of the Board, National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

RE: Michael V. Beall, Esq., Comments on Notice of Proposed Rulemaking (Net Worth and Equity Ratio) and RIN No. 3133-AD87

Dear Secretary Rupp:

On behalf of Missouri's 139 credit unions, the Missouri Credit Union Association strongly opposes the elimination of the "bargain purchase gain" from the credit union's net worth as suggested in the Notice of Proposed Rulemaking on Net Worth and Equity Ratio.

Safety and Soundness Concerns

The subtraction of "bargain purchase gain" from the target credit union's net worth prior to a merger strips the surviving credit union of necessary capital to replenish losses that can result from nonperforming loans which can arise from the blending of two cultures, despite the most robust discovery process. Unlike others in the financial industry, credit unions have limited avenues to raise additional capital.

At worst, NCUA's provision as proposed could discourage mergers even when it is in the member's best interest. The proposal also makes a merger more onerous for smaller credit unions with one another while disproportionately encouraging larger credit unions to acquire smaller credit unions.

The proposed revision to subtract "bargain purchase gain" from the target credit union's "net worth" prior to a credit union merger is not required by statute and, in our opinion, is contrary to Congress's intent and should be removed from the proposal. The extra capital referred to as "bargain purchase gain" is more of an insurance policy against the negative ramifications arising even in the best intended, friendly merger situations.

Thank you for the opportunity to comment.

Sincerely,

Michael V. Beall, Esq.
President/CEO

Your Best Resource!

2055 Craigshire Drive • St. Louis, Missouri 63146-4009 • T: 314-542-0555 • F: 314-542-1387
6220 Blue Ridge Cut-Off, Suite 300 • Kansas City, Missouri 64133-3730 • T: 816-313-0005 • F: 816-313-0011
1-800-392-3074 • www.mcua.org