



July 25, 2017

Mr. Gerald Poliquin  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, Virginia 22314-3428

Submitted via e-mail to: [regcomments@ncua.gov](mailto:regcomments@ncua.gov)

Re: Comments on NCUA Proposed Rule (Bylaws: Bank Conversions and Mergers; and Voluntary Mergers of Federally Insured Credit Unions) RIN 3133-AE73

Dear Mr. Poliquin:

This comment letter represents the views of the Virginia Credit Union League regarding the National Credit Union Administration's (NCUA) proposal to revise the procedures a federal credit union must follow to merge voluntarily with another credit union. The Virginia Credit Union League is the state association providing regulatory and advocacy support for the Commonwealth's approximately 120 member-owned financial cooperatives.

In commentary regarding the proposed changes, NCUA notes that credit unions are experiencing a period of significant consolidation where much of the consolidation is occurring through voluntary mergers. It is further noted the increase in mergers is a natural part of the business lifecycle driven by the desire to provide members with additional products or services and to increase operating efficiencies through enhanced economies of scale and scope. We concur with the NCUA Board that this trend is likely to continue.

We concede that the proposed changes may be well intended with respect to transparency and protecting members' interests. However, we strongly believe the proposal simply goes too far and will create unnecessary disclosures that will serve to impede the process of merger which ultimately benefits credit union members. We also believe that in the vast majority of mergers (more than 200 each year for the past five years) there have been no conflicts of interest that warrant changes to existing policy. NCUA's own commentary states "while many merging FCUs **make good faith efforts** to comply with the requirements of part 708b, the Board is aware of a **few** recent mergers where merging FCUs ...potentially to evade the disclosure requirements of the voluntary merger rule." The Virginia Credit Union League asks you to withdraw the proposed rule and seek ways administratively through the required merger package (submitted to NCUA) to address your concerns. We offer the following as potential remedies: a worksheet and narrative approach addressing "merger related financial arrangements" or additional assertions under merger documents NCUA 6302 and 6303. In short, we believe the proposed rule will create unnecessary regulatory burdens for credit unions. We will list several specific areas below.

**Disclosure of merger-related financial arrangements:**

**Covered person:** The proposed rule requires disclosure for the CEO or manager and the 4 most highly-compensated employees other than the CEO or Manager. It should be acknowledged that the majority of voluntary mergers involve smaller asset-size credit unions (most are under \$50 million and many are below \$10 million) into larger institutions. This change will lead to *over* disclosure. A credit union with 5 employees will disclose the actual salaries of everyone down to tellers and non-exempt administrative personnel. These disclosures will add nothing to the debate of what is in the best interests of members and serve only to circumvent the privacy of such employees and distract the members from the matters they should consider. Materiality is an absolute need in any final rule.

**Merger-related financial arrangement:** The threshold in the proposed rule is any increase for any covered person. Again, materiality must be considered. Smaller credit unions merging into larger institutions are likely to see significant differences in the salary and benefit administration programs of the respective organizations. *Any increase* without regard to the disparate circumstances that may accompany the increase will be counterproductive to a discussion of members' interests. The regulatory look back/look forward period of 24 months further distorts the compensation picture.

**Member-to-member communication:**

It is our observation that the varying timelines required with respect to member notification will be difficult to integrate and invariably lead to delays in the member vote to consider merger. For example, notice requirements currently or under the proposal are:

Notice of Annual Meeting: (at least 30 but not more than 75 days)

Special Meeting: (at least 7 days)

Meeting to Consider Merger: (at least 45 but not more than 90 days)

Member-to-member communications: (members must submit comments within 30 days of notice of meeting to merge; credit unions must notify all members of communications no later than 15 days before the member vote)

We appreciate the opportunity to comment and close by stating that we encourage NCUA to facilitate and ease the process for voluntary mergers among credit unions. We understand that members' interests must be balanced but making the merger process more difficult and onerous is not warranted.

Sincerely,

*Richard D. Pillow*

Richard D. Pillow, CLE  
President/CEO

Cc: Credit Union National Association  
Virginia State Corporation Commission