

**From:** [Bob Falk](#)  
**To:** [Regulatory Comments](#)  
**Cc:** [Robert Falk - PURDUE](#)  
**Subject:** Comment on NCUA Proposed Merger Regulation  
**Date:** Monday, July 31, 2017 10:53:52 AM

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Mr. Gerard Poliquin  
Secretary of Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428

On behalf of Purdue Federal Credit Union located in West Lafayette, Indiana, I am providing comments regarding the National Credit Union Administration's (NCUA) proposed rule on "Bylaws; Bank Conversions and Mergers; and Voluntary Mergers of Federally Insured Credit Unions." The credit union that I lead has not had many mergers in our 49 year history but we do believe mergers are an important reality of our industry. Because of this, we believe we need to maintain existing merger regulations and we recommend loosening some regulations (detailed below). Some specific feedback on the proposed regulations:

**Necessity:**

NCUA already exercises its discretionary authority to demand more expansive disclosure of merger-related financial arrangements, as well as requires credit unions to provide additional time for members to consider the merger before a vote is called. Given NCUA's ability to use existing authorities to apply to special requirements, we do not see the need to fundamentally rewrite the merger rules. The alleged lack of inaccurate or incomplete disclosure in merger transactions, which is highly uncommon, can be addressed through existing regulatory tools. Under current 12 CFR § 708b.105(b), NCUA has the authority to approve a merger proposal "subject to any other specific requirements as it may prescribe to fulfill the intended purposes of the proposed merger."

**Excessive Communications:**

The proposed member-to-member communications are unnecessary to facilitate exchange of member opinions. Credit union members already have the opportunity to comment and discuss the terms of the proposed merger and credit unions have facilitated such exchanges in the past without the weight of prescriptive regulation. The proposed merger rule only adds to regulatory costs. For example, establishing and monitoring an email exchange to support member-to-member communications seems excessive. Also, members may not have the necessary information in these exchanges to make informed decisions and it would require management from both merging credit unions to monitor and respond to these communications.

**Compensation Tracking:**

I believe fully that individual CU employees should not profit from a merger. The only people that should receive benefit from a merger are the members of the merging organizations. So I do support the disclosure of any specific merger related compensation but the methods that are described in the proposed rule will be very difficult to achieve. It is common for some key employees to be provided a reasonable level of compensation to maintain employment through a merger. SEC registered companies have this situation regularly and certain employees will have this employment compensation arrangement disclosed to investors. That is the type of disclosure that should happen, not the look back analysis and forward estimate process.

**What's Missing:**

One item that is still not covered in this policy document is the merger between Federal CUs. I strongly encourage your team to review the regulations that eliminate the possibility of different charter types to merge. For example: If a multi-SEG credit union with 100 SEGs wants to merge with a community FCU, the two entities can't merge unless the community CU gives up their community FOM. That seems like a

step backwards in membership FOM where pre-merger we had 100 SEGs and a community charter and post-merger we end up with less (100 SEGs and no community charter). The solution is to let an FCU merge with any other FCU charter and let the post-merger CU have the same FOM as the two individual FCUs held pre-merger (100 SEGs and the community charter in my example above). These are the types of changes that I want to see in a proposed merger rule.

Please feel free to contact me with any questions.

Bob Falk  
President & CEO

765.497.7481 / o  
765.404-2293 / c

[bfalk@purduefed.com](mailto:bfalk@purduefed.com)  
[www.purduefed.com](http://www.purduefed.com)



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