

July 27, 2017

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

Ref: Voluntary Mergers of Federally Insured Credit Unions

Thank you for the opportunity to provide the agency with comments on the proposed rule changes for "Voluntary Mergers of Federally Insured Credit Unions."

Overall, Credit Union of Southern California (CU SoCal) agrees with the spirit of the proposed regulations. As a credit union that supports transparency and is fully committed to what is in its Members' best interests, CU SoCal has voluntarily complied with many of the proposed rule changes. However, we believe some of the proposal regulations may be subjective and overreaching. Our comments in those areas are below.

State Regulators
FISCU Coverage

While CU SoCal supports transparency and protection of Members' interests, we believe state credit union chartering agencies should have a say—they should make their own decisions and the NCUA proposed rule should not also apply to merging federally insured state chartered credit unions.

Disclosure of Merger-Related Financial Arrangements
Covered Person

The agency proposes to remove the definition of "senior management official" to add a definition for "covered person." The term "covered person" would include the credit union's CEO or manager, the four most highly compensated employees other than the CEO or manager, and any member of the board of directors or supervisory committee.

We believe a specific number should not be defined and that the definition include the Chief Executive Officer or manager and any highly compensated or key employee(s) (with an exemption for non-management) as defined by the Internal Revenue Service in regard to company-sponsored defined contribution retirement plans as well as any member of the board of directors or supervisory committee.

Merger Related Financial Arrangement 15%/10,000 Threshold

While we fully understand the NCUA's desire to clarify compliance with the voluntary merger rule and ensure Members have relevant information about the merger, the proposed expansion to include all increases in compensation or benefits for the 24-month period prior to a merger is not necessary. We believe the current threshold of 15% or \$10,000 is already low. We recommend the agency simply clarify compliance with the existing threshold.

Moreover, the NCUA has the authority to request a period of historical look back on any compensation it deems necessary. We support limiting the historical look back period to the immediate 24 months preceding the merger approval.

NCUA Merger Approval Procedural Changes Submission of Merger Proposal

While we understand NCUA's concerns based on recent credit union mergers, we feel that the prior 12 months of board minutes reflecting merger discussion should be sufficient to capture any potential conflicts of interest relative to any pre-merger related compensation. We believe any merger related compensation would either be captured in the merger package or the 12 months preceding the date of approval of the merger plan. Eliminating this proposed change would also help control regulatory burden on credit unions.

Approval of the Merger Proposal by Members Member-to-Member Communication

Relative to the proposed language requiring credit unions to inform Members who wish to provide their opinions via mail about the proposed merger with other Members, thus requiring the credit union to forward those opinions to other Members in separate mailings, CU SoCal recommends that Member comments be aggregated and then distributed in bulk. This would lower costs, reduce compliance burden, and make the process more efficient.

With respect to merger-related communications and the agreement to reimburse the credit union for reasonable expenses, excluding overhead, of mailing or e-mailing the communications on behalf of the requesting member(s), CU SoCal respectfully requests a clear definition of "overhead" costs.

Regarding submission of Member-to-Member communications to the appropriate regional director or director of ONES if the credit union believes the communication is false or misleading, CU SoCal recommends the removal of submission to a regional director, leaving the determination as to whether the communication is based on material facts, to the credit union. Involving the regional director could delay the merger and cause unnecessary sharing of ill-informed and potentially harmful statements with the Membership. To further mitigate, a disclosure statement should be included with each Member communication that clearly requires all responses to be accurate and factual with evidence to substantiate.

CU SoCal also believes that the merging credit union should be authorized to respond to Member comments and include such responses when materials are mailed to Members. This authorization could help mitigate intentional, misleading information.

CU SoCal sincerely thanks the NCUA again for the opportunity to comment on what we believe to be a step in the right direction towards further merger transparency for Federal Credit Unions. We applaud the agency for their continued efforts to protect the interests of both Members and the acquired credit union; however, ask the agency to use care when moving forward with proposed, new regulation that will ultimately be imposed on all credit unions simply for the few that may have overstepped their duty of care.

We look forward to continued communication of this proposal as it moves through the process and offer our feedback as a credit union active in mergers and one that prides itself on being transparent and Member focused.

Sincerely,



Dave Gunderson
President/CEO
Credit Union of Southern California