Lewiston Municipal Federal Credit Union

Proudly Serving Our Members Since 1944

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August 3, 2017

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

Submitted via email to: regcomments@ncua.gov

RE: Bylaws; Bank Conversions and Mergers; and Voluntary Mergers of Federally Insured Credit Unions (12 CFR Parts 701, 708a, and 708b)

Dear Mr. Poliquin,

Our credit union fully supports the Board's direction in considering the responsibility that credit unions have in ensuring transparency to their members during conversions and mergers. We appreciate the opportunity to be heard on the proposed changes and for our comments to be considered by the NCUA Board.

On behalf of Lewiston Municipal Federal Credit union, I offer the following comments regarding the National Credit Union Administration's (NCUA) proposed rule regarding voluntary mergers of federally insured credit unions:

Covered Persons

Requiring large merging credit unions to disclose merger-related financial arrangements for a minimum of five employees ("the four most highly-compensated employees other than the chief executive officer or manager" and the CEO) may be appropriate in many cases. However, for small credit unions, the proposed rule for these disclosures would often result in disclosing compensation for the entire staff including part-time Tellers. While the intent of this change in definition from "senior management official" to "Covered Persons" is intended to make the disclosures more inclusive in order to identify potential conflicts of interest, the arbitrary number of five employees creates unnecessary, distracting, and excessive disclosures to the membership in most situations.

An alternative to requiring the disclosure for the five employees could be to require disclosure for those who receive increased compensation as a result of a merger transaction, but to include only those who participated in the merger meetings, merger negotiations, and/or those who regularly attend Board meetings.

Merger-Related Financial Arrangement

The disclosure all merger-related compensation received by Covered Persons is a key component of providing transparency to the membership and in identifying any benefits gained related to a conflict of interest. However, the proposed historical look back period of 24 months to include all increases in compensation or benefits granted to Covered Persons does not allow enough latitude in consideration of existing compensation plans and adjustments that are pre-existing, documented, and are wholly unrelated to merger-related adjustments.

In most businesses, including credit unions, any two year period would inherently include two annual reviews with corresponding compensation increases which are unrelated to any merger-related financial arrangements. The proposed lengthy look back period of 24 months would capture unrelated data that misrepresents the compensation change, rather than increasing transparency to the membership as intended.

Further, while both the NCUA board and credit union boards understand compensation plans, the role of asset-sized peer data and trends, and the magnitude of the changes in responsibilities that are often associated with acquiring a credit union (and the resulting appropriate associated changes in compensation), a majority of members would be focused on disclosed dollar amounts, rather than the percentage change. It is the fiduciary responsibility of each credit union's Board of Directors to determine appropriate compensation for its executives, and as a privately held business, no outside entity should have the authority to require personal financial disclosures other than information directly attributed to conversion or merger.

If the NCUA Board deems the historical look back period a necessity for the financial disclosures to the members, modifying the proposed historical look back period to 12 months from the approval date would depict the financial summary in a sound, transparent manner, while minimizing the effect of conflating unrelated, regular compensation adjustments with merger-related financial arrangements.

As an alternative, the merger-related financial disclosures could be stated in specific dollar amounts, but only to include the actual change amount, rather than the totality of the compensation of Covered Persons. The need to increase transparency is specific to the merger-related financial arrangements and, therefore, credit unions and their employees should be allowed to continue operating as a privately held business, with only any *changes* in compensation disclosed, rather than the details of the unrelated existing compensation for individual employees.

Nondiscriminatory Benefit Changes

Given both the inherent equity and fundamental operational nature of the nondiscriminatory benefits that are available to all employees of the continuing credit union, these benefits should not be required to be disclosed as part of the merger-related financial arrangements. For example, if the merging credit union's employees would all move from their existing credit union's "bronze" rated health insurance plan to the continuing credit union's "silver" rated health care plan, any benefit gained is negligible and universally applied, thereby creating unnecessary disclosures, which are of no material value for a membership's understanding in their decision-making regarding the merger.

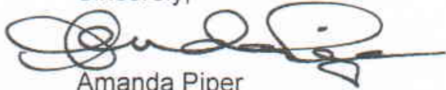
Member-to-Member Communication

We fully support the concept of encouraging member-to-member communications and the idea of having a meaningful dialogue between members prior to a conversion or merger vote. However, we are concerned about these requirements creating an undue hardship in that it is both inefficient and likely to be ineffective, given that members are far more likely to interact with one another in person or via social media, than via any credit union provided forum. Further, any member-to-member communication sponsored by the credit union that uses the postal service for its primary communication channel would be antiquated and unnecessarily inefficient and cumbersome. If the proposed change focused on alternative communication channels, then the period of time allowed for member responses could be shortened (21 days?), which would negate the potential for the problematic overlap of the 45-day minimum notice, the 30-day window for member responses, and the 15-day minimum prior to the member vote.

If the Board intends to adopt the proposed member-to-member communication requirements, a more effective and meaningful approach would be to focus on the special meeting(s) or having designated individuals at the merging credit union to be required to serve as key contacts for member feedback, which could then be aggregated and shared at (or prior to) the official Special Meeting prior to the merger vote.

In conclusion, we support the NCUA Board's inclination toward enhancing transparency during credit union conversions and mergers, but respectfully request that the Board re-consider some of the proposed details. Credit unions already comply with innumerable laws and the Rules and Regulations, and the creation or modification of additional requirements should only adopted where they are truly necessary and offer a tangible, long-term benefit to credit union members and credit unions.

Sincerely,



Amanda Piper
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