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

Re: NCUA Proposed Rule - Bylaws; Bank Conversions and Mergers; and Voluntary Mergers of Federally Insured Credit Union

Dear Mr. Poliquin:

On behalf of Chartway Federal Credit Union, thank you for the opportunity to provide input regarding the NCUA proposed rule on "Bylaws; Bank Conversions and Mergers; and Voluntary Mergers of Federally Insured Credit Union."

First, it is important to our credit union that all credit union mergers be conducted in a manner that is totally transparent with all relevant facts openly disclosed and considered by all parties involved in the merger transaction. That said, it is also our opinion that NCUA, within the existing scope of regulatory authority associated with merger activity, has the ability to exercise the necessary oversight capabilities in requiring certain (or where considered appropriate, expanded) disclosures related to financial arrangements, member vote information and timelines, board minutes, financial impact projections or any other related information and / or communication considered significant in executing a credit union merger.

In responding to previous NCUA proposals or request for comment, our credit union has repeatedly asked that a "one-size fits all" approach to regulatory oversight be avoided. It typically adds new burdens to the high percentage of credit unions that do not engage or conduct business practices that often create the feeling or need by NCUA that additional regulations should be imposed throughout the entire credit union industry. We believe that is the case with this proposal and while well intended, NCUA should instead utilize its current discretionary authority to address those unique circumstances where expanded transparency and communication would be considered appropriate (under current 12 CFR 708b.105b – 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").

NCUA in its own commentary said it perfectly, "while many merging federal credit unions make good faith efforts to comply with the requirements of part 708b, the Board is aware of a few recent mergers where merging FCU's...potentially to evade the disclosure requirements of the voluntary merger." Please consider that important fact when this and all regulations are proposed in a manner that impacts certain activity or practices exercised throughout the entire industry.

In regards to certain key provisions of the proposal, please find our responses below:

Disclose merger-related financial arrangements / covered individuals

As stated above, NCUA currently has the authority to review a "material increase" in compensation or benefits that any board member or senior management official of a merging credit union receives because of a merger (notably – the current look back period is undefined).

To impose the expanded requirements to all credit union merger opportunities obviously creates an unnecessary burden; instead, NCUA should focus on, and where necessary, expand oversight requirements when related to any unique circumstances as outlined in the required merger plan submitted by a credit union under the current rule.

The covered individuals should not necessarily be limited to certain positions or related to a compensation / benefit hierarchy, but rather to the organizational structure identifying and including senior level executives along with the Board of Directors (or any volunteer involved in the decision to merge). The current definition of a material increase is acceptable, but should be correlated to a certain percent (currently at 15 percent) versus a flat dollar amount (currently at \$10,000) for disclosure purposes. It should be understood that retention of key employees from a merging institution is often times an integral part of the operational integration process and as well in effectively serving the needs of the membership in that acquired market.

The proposed rule would also create a significant regulatory burden in requiring a comprehensive evaluation of all current and future compensation / benefits received or to be received by covered individuals for all merger requests and transactions. Again, in the merger plan submitted by the credit union, as a part of the required merger application, the financial arrangements should be clearly outlined in a manner that provides NCUA the opportunity to properly review and, where appropriate, require additional information. Any intentional attempt to mislead or evade, in any way, proper financial arrangements and / or disclosures under the current regulation should be addressed by NCUA with those individual credit unions.

Member to member communication

The proposed rule associated with member to member communication is considered unnecessary as the current process provides all members with relevant information in a period of time that gives all members ample opportunity to individually or collectively discuss, exchange opinions and provide input (in support or otherwise) to the credit union in advance of the special meeting. The special meeting then provides an additional opportunity for all interested members to provide input in a forum attended by those with the knowledge to effectively respond or address all member concerns. This has worked in the past with no need for additional regulation or intervention.

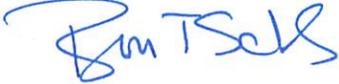
The current member notification period is considered acceptable. A significant lengthening of the timeline will in most cases simply delay the process since the member or regulatory concerns can typically be addressed within the current timeframe. If the need to extend the timeframe is considered absolutely necessary, a more reasonable period of time allowing for the mail and member response / input would be no more than 60 days and no less than 21 days.

Merger related to varying charters

An area that we believe should be reviewed and considered for regulatory amendment is related to the merging of credit unions, whereby the continuing credit union has a multiple common bond with the merging credit union having a community charter. In this case, the continuing credit union would acquire the current members but not the current and approved charter of the merging credit union. We believe this creates a disadvantage to the multi common bond credit union in the ability to effectively serve the membership or chartered membership that was granted by NCUA to the merging credit union. Please consider eliminating this discriminatory disadvantage to multi common bond chartered credit unions.

In conclusion, let us thank you again for the opportunity to comment on this proposed regulation. The modernization of our industry is critical to the future success of all credit unions in providing the opportunity to serve the financial needs of all consumers. In accordance, regulatory oversight must also evolve with a focus towards the reduction of unnecessary burdens that may have outlived their usefulness either by market conditions, changing consumer behavior or the one-size fits all mentality. This proposed regulation is a good example of unnecessary and burdensome requirements based on the actions of a few credit unions and should therefore be abandoned.

Best,



Brian T. Schools
President & Chief Executive Officer