From: dgmunity@aol.com
To: _Regulatory Comments
Subject: Comment on the proposed rule for voluntary mergers.
Date: Friday, August 04, 2017 10:41:11 AM

August 2nd, 2017

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

Dear Mr. Poliquin,

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

Unity Credit Union is a State chartered Credit Union operating in Warren, Michigan. Our insurance number is 62362 and our State charter number is 364.

Unity has, over the years, participated in 6 different mergers. Never has it had to "offer special packages" to lure anyone to enter our field. We have experienced both voluntary and involuntary mergers and when an imbalance of retained earnings existed, ensured that the imbalance was paid out to the merging members as a matter of course. In the case of one 408 assisted merger we were able to return money to the fund. We believe that in every one of these mergers Unity acted in the best interests of our own as well as the merging members and the entire credit union community.

Your proposed rules bring new Agency views of how these mergers must occur regardless of any suspicion or harm that might occur as a consequence of your newly proposed rules and conditions. Your proposed rules suggest that "we have to write new rules because some merging partners **MAY** be seeking to influence the merging credit union by offering special incentives to management etc. etc. This comes under the heading of vague and undocumented hearsay. Yet you propose new rules on exactly that. You allude to self- serving motive yet in every case, correct us if we're wrong, **you already must approve them**. As an active participant in those supposedly questionable deals we must be concerned about your ability and qualifications to "propose new rules" while you seem unwilling to enforce what you have currently available.

You also are requesting comments on whether or not you should be allowed to include FISCU's in your proposed rules. We believe that is simply more of an encroachment by a Federal Agency on a State's right to regulate its own credit union's. In Michigan we have no choice we are participants in a legislated requirement to apply for and receive NCUA insurance to operate. So when NCUA offers Corporate's special investing rules or NPCU's waivers to conduct risky business we have no choice but to pay for the risky business when it fails because we have been forced into the insurance fund. Based on that history alone the greatest threat we face is probably NCUA and consequences of it's rule making.

You propose that essentially all employee's compensation become public knowledge because they may be "in a position of influence." Smaller credit union employees are easily characterized like this because they work harder, wear more hats, have more responsibility and generally believe in the philosophy and the membership they serve. This is part of a very troubling over reach on the part of NCUA. Somehow the staff that write this "hypocritical drivel" should start their careers at NCUA by completing at least a year's internship at a Natural Person Credit Union at the meager pay and benefits generally available. If that were to happen I'm sure their inaccurate views of the majority of credit union employees might change and we would not hear this unsubstantiated nonsense. The average pay and benefits at NCUA (Exceeding 120 thousand) can only be a distant dream to the vast majority of credit union employees.

Your material increase definition doesn't make sense! Some poor teller working at a small credit union and making 10 bucks an hour or 20 grand a year becomes a part of a much larger institution and the comp goes to 32 thousand. Wow great for him/her except now everyone, according to these proposals, gets to know because someone felt it important to "let the members know". NCUA should limit its disclosure to the Board (if any) and CEO of the credit union and even that could prove problematic.

At our credit union the CEO reduced his own compensation to less than 70 thousand annually while at the same time removing himself from the provided health insurance which is the largest part of most benefit packages. This has saved the credit union over 50 thousand a year for several years while allowing us to continue to offer competitive wages and benefits to the other staff. Let's assume an offer to merge by a larger credit union for all the right reasons. The surviving credit union decides that it is in their best interest to have the CEO stay on and propose a package that includes half again his voluntarily reduced comp to 100 thousand and agree to pay his medical insurance (another 10 grand a year) making his compensation go up by 40 to 45 thousand a year. We wonder how that plays in your required disclosure. I would bet more than one member might demand answers. So instead of working on the merger we spend a lot of time talking with members about the "payoff" to the manager. When you throw in the 24 month look back it is going to look just as bad. By the way 24 months is a bit much. Mergers, at least their initial agreements, happen quickly and looking back 24 months especially with confidentiality agreements won't ever bring any new disclosures.

As experienced veterans in mergers we always know what questions are going to be asked by the Board of the merging credit union. What is going to happen to the employees and will our office stay open? Invariably the answer is yes. In Michigan we are required to disclose office locations and any closings. In the interest of peaceful continuity the merged credit union office, on most occasions, stays open.

Net Worth considerations are important but there are also other considerations. Buildings and other assets that have been written off and could be sold might not show up in a balance sheet but certainly should be considered and valued so that a fair payout could be effected.

Products and services. Being a credit union that has rejected risk based lending (discriminatory in our opinion) and refused to implement courtesy pay (falls to the least able to afford it) this could be the most troublesome negotiation point in any potential merger involving Unity and another credit union. We have had offers from other credit unions but our unwillingness to implement such programs might be perceived as a poison pill to another credit union despite a 16% capital ratio.

Now comes your rule makers proposing more enhanced "member to member" communications that can and will lead to suspicion and perhaps the failure of what might have been an otherwise successful and member enriching experience. The communication aspects of your proposal will engender a lot of grief for the survivor. We recall a membership meeting in which we proposed a pay back to the membership of 25% of their net worth. No one else had proposed anything. We were shot down when a member, urged on by another credit union, stood and contended they could get more. We withdrew from the meeting as the members began to berate their Board members and eventually the credit union was merged into the other credit union and no payout was made. We make that point because we have had these experiences and want the NCUA Board to understand that a lot of the time the process is less neat and tidy than what you see. Under your proposal disgruntled members, for whatever reason, would be empowered as obstructionists increasing costs to the detriment of the majority of members.

In the end **NCUA already has all the powers it needs to approve or squelch a merger**. FISCU's are likewise under the same authorities and additionally are required to seek the approval of their State authorities. The proposal is broad and over reaching and will serve to make an already difficult process even harder. If NCUA were to stop a merger because it believed someone was getting "paid off" the onus would be on the merging credit union officials to prove otherwise. The potential for member "disruption" and potential failure of a merger is, in our view, raised exponentially under the proposed new rules. That price could eventually be paid by our fund.

NCUA certifies that this regulation "will not have a significant economic impact on a substantial amount of small entities". Allow us to remind you that **NCUA said the same thing about the corporate**

meltdown. We believe that no new regulations are needed in this regard and that NCUA should simply follow and enforce the current rules.

Respectfully

Dennis Moriarity, Treasurer-Manager
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