



August 7, 2017

Via Email: regcomments@ncua.gov

Re: RIN 3133-AE73
Comments on Voluntary Mergers of Federally Insured Credit Unions

Mr. Gerard Poliquin
Secretary of the Board
NCUA
1775 Duke Street
Alexandria, Virginia 22314-3428

Dear Mr. Poliquin:

Texas Trust Credit Union is writing to give responsive comments on the Proposed Rule published in the Federal Register Thursday, June 8, 2017, "Bylaws; Bank Conversions and Mergers; and Voluntary Mergers of Federally Insured Credit Unions".

Regarding the applicability of this rule on Federally Insured State Charter Credit Unions (FISCU), we believe that the state merger rules and regulations should apply. The NCUA's role should be to ensure the surviving institution is sufficiently capitalized and managed to absorb the merged credit union without posing a material risk to the NCUA share insurance fund. Whether compensation information is reviewed by the state regulator and/or provided to the members is a policy decision for the states not the NCUA. However, we do understand that it would be appropriate for all merger-related financial arrangements be disclosed to the NCUA as a part of the merger package as required under Section 205 of the Federal Credit Union Act.

The background information provided within the Proposed Rules states that "This increase in merger activity is a natural part of the business lifecycle and can be driven by one or more of several factors including the difficulty in identifying successors for long-serving senior management or volunteers, or the need for additional staff resources. As credit unions seek to increase operating efficiencies through enhanced economies of scale and scope, the Board expects this trend to continue." Our credit union has done 2 recent voluntary mergers and we made sure that it was a win for the employees and members of both of these merged credit unions.

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While the Proposed Rule should not apply to Texas Trust Credit Union, as a FISCO, we retain an interest in the remaining portions of the Proposed Rule as any voluntary merger between us and a federal credit union would involve application of the rule. In this regard, we would make the following comments.

Covered Persons

The Board's approach for covered persons should be limited to the CEO and Board of Directors. We believe that expanding this to others would be irrelevant to the merger transaction.

Merger-Related Financial Arrangement

The Board's definition of material increase seems to be reasonable. However, we believe that to redefine "merger-related financial arrangement" to include all increases in compensation or benefits that a covered person has received during the 24 months prior to the date of the approval of the merger plan by both continuing and merged credit unions is a government overreaching rule.

We also oppose the requirements to disclose to members the increases in health care, retirement and other benefits of the merged credit union employees that are offered on a nondiscriminatory basis to all employees of the continuing credit union. It is within reason to expect any employee to receive a salary or benefit increase when he or she moves to another larger credit union. This difference in compensation can be the results of many factors including job scope and responsibility and the improved ability of the continuing credit union to offer a more competitive compensation package. If required to disclose this to the membership, they may misunderstand and believe that the increases are not warranted which would cause them to view it as an improper or unhealthy merger.

Affirmative vote of a majority of the members of the merging credit union

We strongly oppose the requirement that a majority of the entire credit union membership of the merging credit union must approve the merger. This requirement is not workable because normally the majority of the members do not care one way or the other and just choose not to vote. The majority of members who "choose to vote" should be the voice approving the merger.

Member-to-member communications

We strongly oppose the proposal to require the credit unions to inform members that they may submit their opinions about the proposed merger to the merging credit union, which will be forwarded by the credit union on to all members. The rule provides that a merging credit union can submit misleading, false and other improper communications to the appropriate NCUA regional director requesting permission to not forward such communication. Also, establishing an email exchange to support member-to-member

communications would impose significant operational costs. The application of this rule would be extremely cumbersome and confusing to the membership.

We believe the current NCUA rules requiring a special membership meeting is a fair and transparent way for the membership to exchange ideas and communicate before they vote.

In conclusion, thank you again for the opportunity to comment on the Proposed Rule. We hope our feedback was helpful and that the NCUA will consider removing some of the requirements contained in this Proposed Rule.

Sincerely,



David Pickney, CPA
(license to practice in Arkansas)
Executive Vice President and CFO
Texas Trust Credit Union

CC:
Credit Union National Association
Cornerstone Credit Union League
Senator Ted Cruz
Senator John Cornyn
Rep. Joe L. Barton