



CREDIT UNION DEPARTMENT

Harold E. Feeney
Commissioner

Robert W. Etheridge
Deputy Commissioner

August 7, 2017

Sent electronically to: regcomments@ncua.gov

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

**Re: Comments for Notice of Proposed Rulemaking on 12 CFR Part 708b
Mergers of Federally Insured Credit Unions**

Dear Mr. Poliquin:

The Credit Union Department, State of Texas ("Department") appreciates the opportunity to express its views on the National Credit Union Administration's ("NCUA") proposed modifications to NCUA Rules and Regulations Part 708b, dated June 8, 2017, regarding mergers of federally-insured credit unions (FICUs). In general, the proposed modifications would revise the procedures a credit union must follow to merge voluntarily with another credit union.

The Department's comments, discussed in more detail below, focus on ensuring NCUA maintains the proper balance between state and federal authority. The Department shares NCUA's concerns that import decisions regarding the continued existence of a credit union be handled in as fair and transparent a manner as practically effective. However, we remain convinced that NCUA's focus on members' rights and privileges is best confined to federal credit unions (FCUs). State regulators bear primary responsibility for state-chartered credit unions, and state laws and rules should primarily govern the process by which state credit unions conduct any of the activities subject to this proposed rulemaking.

When two state-chartered credit unions merge, NCUA's role is to ensure the surviving institution is sufficiently capitalized and managed to absorb the merged credit union without posing a material risk to the National Credit Union Share Insurance Fund (NCUSIF). The motive of the merged credit union should be irrelevant to NCUA as the share insurer. It is the state regulators responsibility to decide whether a board decisions to merge was wrongly influenced. Whether compensation information is reviewed by the state regulator and/or provided to the members is a policy decision for the states. In particular, with respect to the State of Texas, the Department has sufficient statutory and

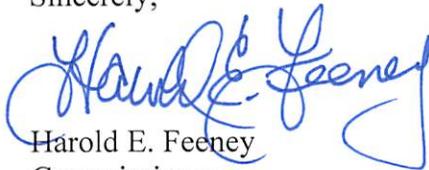
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regulatory authority to appropriately supervise activities associated with mergers and, in fact, has recently initiated rulemaking to help ensure that merger related remuneration is disclosed in the credit union's merger plan (7 TAC Section 91.1003).

NCUA offers no evidence to support the contention that past conduct with respect to FISCU mergers presents so high a risk to justify additional rulemaking. Nor does NCUA articulate a NCUSIF risk that would compel extension of this proposal to FISCU. In the absence of a clear and compelling connection between the activity proposed to be regulated and risk to the NCUSIF, the Department contends that NCUA should defer to state law with respect to mergers involving two state-chartered credit unions. According, the Department encourages NCUA Board to reject the proposition that the proposed rule should also apply to FISCU.

Thank you for considering our views on this important matter.

Sincerely,



Harold E. Feeney
Commissioner

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