From:	John McKenzie
To:	_Regulatory Comments
Subject:	Indiana Credit Union League Comments on Proposed Rule--Bylaws; Bank Conversions and Mergers; and Voluntary Mergers of Federally Insured Credit
Date:	Friday, August 04, 2017 5:38:02 PM

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

RE: Bylaws; Bank Conversions and Mergers; and Voluntary Mergers of Federally Insured Credit Unions

Dear Mr. Poliquin,

The Indiana Credit Union League (ICUL) appreciates the opportunity to submit comments on the National Credit Union Administration's (NCUA) Notice of Proposed Rulemaking Bylaws; Bank Conversions and Mergers; and Voluntary Mergers of Federally Insured Credit Unions which would amend rules relating to voluntary mergers of federally insured credit unions. The ICUL member credit unions represent 97% of assets and members of Indiana's credit unions, with those memberships totaling more than 2.4 million consumers.

ICUL strongly agrees that voluntary mergers must be in the members' best interest and that full and fair disclosure to the members voting on a merger is important and necessary. However, we believe that the existing regulations give NCUA sufficient authority to ensure that full and fair disclosure occurs.

One of the drivers credit unions point to when considering a voluntary merger is the ongoing challenge of managing the overwhelming regulatory burden that credit unions face. NCUA has continually stressed that regulatory relief is a focus of ongoing regulatory review. We believe that this proposal increases the regulatory burden on credit unions to address concerns that NCUA has had with a few of the hundreds of voluntary mergers that have occurred in the last five years.

The proposal includes changing the reference to "Senior Management" to "covered persons" and expanding the definition to include "the chief executive officer or manager (or a person acting in a similar capacity); the four most highly compensated employees other than the chief executive officer or manager; and any member of the board of directors or the supervisory committee." We do not believe that this definition works for small credit unions, and that it would require the disclosure of the salaries and benefits of the majority, or in many cases, all of the staff for many small credit unions. We are concerned this would violate the privacy of these individuals. As of March 31, 2017, 55 of Indiana's 157 credit unions reported 5 or fewer full time equivalent (FTE) employees; 84 reported 10 or fewer FTEs. This is an example of a one-size-fits-all approach to regulation that does not work.

The proposal also would expand the definition of "merger-related financial arrangement" to include "any increase in compensation or benefits that any covered person of a merging credit union has received during the 24 months prior to the date of the approval of the merger plan by the boards of directors of both credit unions. It also means any increase in compensation or benefits that any covered person of a merging credit union will receive in the future because of the merger. This definition includes all direct and indirect compensation, such as salary, bonuses, deferred compensation, early payout of retirement benefits, increased insurance benefits, or any other financial rewards or benefits." NCUA indicates that this is intended "to simplify compliance with the voluntary merger rule…" We believe that the existing definition of "merger-related financial arrangement" is adequate, and does not inadvertently impact the privacy of the credit union staff. We do not agree that this will simplify compliance. NCUA currently has the authority to require additional disclosures if it is determined that merger-related financial arrangements did occur that were not originally included in the merger packet.

The proposed rule seeks to amend requirements regarding notice and procedures governing the member vote when the merging credit union is an FCU. ICUL completely understands and supports the need for advance notice. However, under the proposed rule, NCUA would create a new meeting notice schedule that differs from the current bylaws. The new requirement would be that a "member receive at least 45 calendar days, but no more than 90 calendar days" and advance written notice of any member meeting called to vote on the merger proposal. We believe this creates unnecessary confusion to have different timing requirements for potentially the same meeting. Current bylaws require that the notice for the

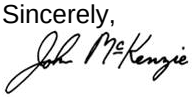
annual meeting be sent “at least 30 but no more than 75 days before the date of any annual meeting. If the credit union holds the merger vote at the annual meeting, two time frames for advance notice would apply. We encourage NCUA to adopt an advance notice time frame for meetings at which a merger vote will occur that is at least consistent with existing timing requirements for annual meetings.

We strongly oppose the proposed rule’s requirements and methodologies for sharing member-to-member communications related to the merger. The purpose of the meeting is to allow members the opportunity to have the type of discussion that NCUA feels is needed. The proposed rule would establish requirements for notification of the ability of members to send, and require credit unions to share member communications with other members in writing, by mail or email. In its writeup, NCUA states that the proposed process “may result in additional administrative burdens on the merging FCUs” but they believe that it is the “least restrictive means to achieve the compelling objective of ensuring that members vote with all information reasonably available to them.” However, NCUA goes to great length in the writeup to address the challenges that this requirement presents to the merger process timeline, accuracy of information, etc. As laid out in the proposed rule, we believe that this process has the potential to significantly delay the merger process, and ultimately require a significant unnecessary amount of credit union and NCUA staff time dealing with member-to-member communication tasks. If the communication is to be sent to all members, the most likely alternative is going to be by mail, since not all members provide email addresses to the credit union. This will slow the process down even more. NCUA’s ability through the current approval process to require additional disclosure of information, establish the timing of the vote, and review of the notice to the members makes much of this unnecessary.

The NCUA also requests specific comments on whether the proposed rule should also apply to merging federally insured state-chartered credit unions (FISCUs). We believe that rulemaking regarding mergers of federally insured state-chartered credit unions should be made by the state regulator and oppose expanding this proposed rule to FISCUs.

Thank you for the opportunity to comment on this important proposal. As stated above, we agree with the importance of fair and accurate disclosures to members considering a vote to merge. We simply believe that the existing regulations are sufficient, given the power NCUA has to require greater disclosures if NCUA deems them necessary. We do not believe that what NCUA is proposing is necessary. If you have any questions about our letter, please do not hesitate to give me a call at (317) 594-5320.

Sincerely,



John McKenzie
President, Indiana Credit Union League