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ALLIANT

Submitted via regcomments@ncua.gov

August 4, 2017

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

Re: Notice of Proposed Rulemaking on Voluntary Mergers of Federally Insured Credit Unions; RIN 3133-AE73

Dear Mr. Poliquin:

Thank you for the opportunity to comment on NCUA's Proposed Rule regarding Voluntary Mergers of Federally Insured Credit Unions (Proposed Rule). Alliant Credit Union (Alliant) is the largest Illinois chartered, federally insured credit union. With over $9 billion in assets, Alliant serves over 335,000 members worldwide. Alliant respectfully opposes application of the Proposed Rule to federally insured, state chartered credit unions and also opposes adoption of new requirements relating to member-to-member communications and voting by the full membership.

Application of Proposed Rule to FISCUs

As a threshold matter, the NCUA Board seeks specific comments on whether the Proposed Rule should also apply to merging federally insured, state chartered credit unions (FISCUs). Alliant respectfully asserts that the Proposed Rule should not apply to FISCUs. Alliant's primary regulator is the Illinois Department of Financial and Professional Regulation (IDFPR). As a FISCU regulated by IDFPR, Alliant must comply with the Illinois Credit Union Act (the Act) with regard to voluntary mergers. The Act already requires a rigorous approval and oversight process for mergers and consolidation of credit unions (205 ILCS 305/63). Among other requirements, the Act mandates that Illinois chartered credit unions may merge only with oversight by and upon approval of the Secretary of the IDFPR and only by an affirmative vote of a majority of the credit union's board. The Act further requires an affirmative vote of a majority of the members of the merging credit union being absorbed.

There is no need to subject FISCUs, like Alliant, to additional federal regulations in the area of voluntary mergers when they are sufficiently regulated by their states. In this regard and most importantly, there is no evidence that boards of Illinois chartered credit unions are failing in their duty to represent their member's interests in voluntary mergers, nor is there any evidence that the IDFPR has failed to properly review and evaluate mergers.

Moreover, there is already federal oversight to the Illinois governed process. In addition to the rigorous process required by Illinois law, before a merger involving an Illinois chartered

FISCU can occur, written approval by the NCUA is also required. Pursuant to NCUA Rule, Section 708b.101(b), a federally-insured credit union must have the prior written approval of the NCUA before merging with any other credit union (12 CFR Part 708b.101(b)). Alliant believes that such existing oversight by both state and federal regulators is more than sufficient to ensure that member interests are served in voluntary mergers involving FISCUs.

Member-to-Member Communications

While the Proposed Rule should not apply to Alliant, as a FISCU, Alliant retains a material interest in the remaining portions of the Proposed Rule as any voluntary merger between a FISCU and a federal credit union would involve application of the Proposed Rule. In this regard, Alliant opposes two key provisions of the Proposed Rule—member-to-member communications and majority vote of the entire membership.

As you know, the Proposed Rule includes a new provision requiring credit unions to inform members that they may submit their opinions about the proposed merger to the merging credit union, which will then be forwarded by the credit union to all members. To avoid potentially "misleading" member communications, the Proposed Rule provides that a merging credit union can submit such communications to the appropriate NCUA regional director requesting permission to not forward such communications to the entire membership. The Proposed Rule itself acknowledges various types of "misleading" information, including false information, information omitting material facts necessary to make the statements true or accurate, information that relates to a personal claim or grievance, or information that is otherwise not proper.

Alliant strongly opposes this proposed requirement. Frankly, we believe that the complications imposed by the process requirement itself would have the unintended consequence of impeding or halting value creating mergers for members. While Alliant always has supported and encouraged member feedback regarding special proposals, a requirement of facilitating "member-to-member" communication would be completely unmanageable. It is foreseeable that both the credit union and the NCUA regional director could be overwhelmed in attempting to sift through such statements during an already complicated process. The very list of inappropriate content provided in the Proposed Rule illustrates the type of misleading material that credit unions and NCUA may have to sift through. More specifically, the Proposed Rule acknowledges that in some cases, the timing of receiving and responding to the communications could force the postponement of the member vote and thus, the merger altogether.

The current NCUA rules governing mergers provide sufficient safeguards to member interests. Not only do the current NCUA rules require member notice and voting, as noted above, they also require NCUA regional director oversight and approval. Most importantly, the rules require boards to approve mergers, and boards, as elected representatives of the membership, are not only in the best position to protect member's interests, but by and through their duties of care and loyalty, have a legal requirement to do so. There is no need to

insert a cumbersome and misplaced process which may have the unintended consequence of impeding or killing mergers that would otherwise provide value to members.

Majority Vote of Entire Membership Instead of Majority Vote of Members Voting

Finally, Alliant strongly opposes a new proposed requirement that a majority of the entire credit union membership be required to approve a merger. Such a requirement is not workable. It could be impossible to meet and may completely thwart an otherwise value adding merger. As an example, with over 335,000 members, it would be absolutely impossible for Alliant to control or predict voter turnout, much less even expect more than half of its members to vote by ballot or at a meeting (indeed it is hard to imagine where such a meeting would occur). Those member/owners who choose to have a voice are given a voice by the current rules. Their votes should not be thwarted by imposing unrealistic requirements. Thus, the current voting standard should stand.[1]

In conclusion, thank you again for the opportunity to comment on the Proposed Rule. Alliant hopes that its feedback is helpful, and that the NCUA will consider removing certain requirements contained in the Proposed Rule as set forth above.

Sincerely,

Lee Schafer

Lee Schafer

Senior Vice President, Corporate Affairs
& Chief Administrative Officer

[1] Alliant supports the enhanced notice period for a Special Member's Meeting as outlined in the Proposed Rule, so long as the current requirement that a majority vote of those voting is preserved.