KINECTA
FEDERAL CREDIT UNION
Keith Sultemeier • President & Chief Executive Officer

August 7, 2017

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

Re: Voluntary Mergers of Federally Insured Credit Unions

Dear Secretary Poliquin:

I am writing on behalf of Kinecta Federal Credit Union (Kinecta), one of the nation's largest credit unions, with approximately $4 Billion in assets, serving 290,000 members. Kinecta appreciates the opportunity to share our thoughts regarding NCUA's proposed rule on "Bylaws; Bank Conversions and Mergers; and Voluntary Mergers of Federally Insured Credit Unions."

While NCUA's desire to promote transparency is commendable, we are not aware of any problematic trends in credit union mergers that would warrant such a heavy-handed intervention. We strongly believe that there is no compelling need to implement a regime that makes a difficult process harder still for those credit unions wishing to combine operations, especially in this environment of increased (and increasing) regulatory costs and technological disruption. Scrutinizing non-material aspects of a merger transaction, as outlined below, can only work to this end.

Member to Member Communication - an unnecessary and potentially damaging idea

The "member to member communication" proposal is ill-advised. In our view, there is little benefit but potentially serious repercussions should a merging credit union be required to send the unsolicited opinion of one member to all other members. As we understand the proposal, the merging credit union would, at its sole expense and under its brand, be required to distribute a member's potentially negative and unprofessional comments, untethered to facts, and not subject to any disclosure requirements. This process is clearly susceptible to abuse, and one that risks substantial reputation harm to both the merging and continuing credit unions.

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While arguably well-intentioned, the member to member communication requirement has potentially significant unintended consequences. These could prove embarrassing, not only to credit unions attempting merger, but also to the industry and the NCUA. For example, the process permits misguided recommendations like advising that members liquidate their CU and cash out instead of merging; or even comments from community bankers and other financial institutions opposed to the merger for competitive gain.

Additionally, forcing the opinion of one member onto all others will likely annoy many members, and taken to its extreme, could very well produce a backlash against the credit union. Members may justifiably ask why the unwelcome communication was transmitted in the first place, and would likely do so using the credit union's normal in-bound communication channels (e.g., call center, email, member complaint, etc.). This would compound the problem by adversely impacting the credit union's ability to serve the routine financial needs of its members through those channels.

We believe that without the imposition of "member to member communication", but with all the current and other proposed rules, members still have everything they need to make an informed decision. Importantly, the opportunity to present opinion is already available at the member's special meeting which is part of the current merger process. Those wishing to express an opinion on a proposed merger can do so, and those wishing to hear the opinions of other members are welcome, but not forced, to attend.

Thank you for providing Kinecta Federal Credit Union the opportunity to comment on this proposal and for your consideration of our comments.

Sincerely,

Keith Sultemeier

Keith Sultemeier
President & CEO
Kinecta Federal Credit Union