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August 2, 2017

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

RE: Request for comment on proposed rules changes - Voluntary Mergers of Federally Insured Credit Unions

Dear Mr. Poliquin,

Advia Credit Union appreciates the opportunity to discuss this important proposal. We are a peer group of 6 state-chartered credit unions offering advantages to a diverse membership across Michigan, Illinois and Wisconsin. We have deep roots in each of the communities we serve, and we take seriously our core value of acting with integrity. We believe transparency is fundamental to integrity, so to that extent we wholeheartedly support the intent and spirit of the proposed changes and increased member access to information.

Another Advia core value is to drive progress for our members. We do not object to the entirety of the proposed changes, but we fear that certain features of, and lack of specific implementation language in the proposal will create new operational challenges, compliance burden, and potential privacy violations, all of which will ultimately stall financial progress.

As a threshold issue, we also question whether these merger concerns actually relate to safety and soundness, requiring applicability to state chartered credit unions. We believe that they may be more appropriately considered and determined by state regulators, who have much greater understanding of the membership needs in their states.

Member to Member Communication

The proposal that merging credit unions must facilitate a dialogue among members regarding a contemplated merger, although well-intentioned, ignores many current, robust protections as well as the likelihood of serious unintended consequences.

Simply put, members elect boards to represent their interests. Representative democracy has served the CU movement well for almost 100 years. Members benefit from the experience of dedicated directors with close ties to their communities, who often serve on a volunteer basis. The proposal risks fundamentally altering the nature of well-tested governance structures by creating de facto referenda of potentially extreme opinions, untethered to fact or due consideration.

While most communications among members would be honorable, some might be less so, and some may not even be from members.

Advia is concerned with the vulnerability to undue influence exposed by this facet of the proposal. Uninterested parties who stand to profit from an alternative to the proposed merger could present false and misleading information in the member to member discussion process to politic for outcomes not necessarily in the best interests of membership. For example, lawyers seeking business might argue for liquidation of the merging credit union or use the discussion as rationale for expensive, vexatious litigation. Rival credit unions could use surrogates to campaign against the merger to stifle competition. It would be little wonder if members began to question the judgment of their boards and executive teams when faced with conflicting information presented by parties with hidden agendas.

Members may already be heard at the annual meeting and are given notice and another opportunity to present their opinions at the special meeting required under the current merger rules. The proposed change offers no guidance on how to start or maintain such a member to member discussion platform without creating widespread confusion and unnecessary expense. Members might wonder how much money is being spent facilitating a membership-wide discussion outside of the traditional meetings, and why.

Significant logistical hurdles must be overcome in every merger, requiring teamwork across professional disciplines. Employee preparedness, signage, vendor relations – these issues and more are implicated in every transaction. Forcing a member opinion process above and beyond the already adequate format would hinder and delay, and quite likely scuttle, many beneficial mergers by creating unpredictable, unworkable timelines.

Privacy

CEOs, board members and executives are aware that their compensation is subject to disclosure and scrutiny. Advia encourages transparency in this area. For our part, we publish financial health data on our website, fully and easily accessible to our members. The compensation of our highest paid executives is already published in form 990 disclosures.

Our privacy concerns extend to our friends in smaller credit unions. The proposed rule change regarding disclosure of top incomes could mandate the publication of the wages of non-executives in very small CUs. Mid-level managers and hourly employees surely would not agree, explicitly or implicitly, to public disclosure of their incomes.

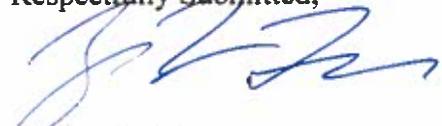
We are also concerned with the forward-looking provisions regarding disclosure of future “merger-related” compensation. We would like to know what merger-related means and how far into the future this provision gazes to ensure compliance.

Conclusion

We trust in our state and national credit union leagues to provide you with the history and statistics in support of well-considered mergers. Suffice it to say that we are confident in the competition and scale values of a healthy merger environment. We are concerned that, while proposed with the best interests of credit union members in mind, the changes may prove unduly burdensome. They may have a chilling effect on merger activity, which may very well be in the best interests of a given credit union’s membership.

We invite the NCUA to offer further clarification and amendments to these proposed changes.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read 'Zack Fallstich', written in a cursive style.

Zack Fallstich
Staff Attorney & Manager of Recovery
Advia Credit Union