

August 7, 2017

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

Re: Comments on Voluntary Mergers of Federally Insured Credit Unions
RIN 3133-AE73

Dear Mr. Poliquin:

On behalf of Bethpage Federal Credit Union (Bethpage) and our 338,000 members, we appreciate this opportunity to offer comment on the National Credit Union Administration's Notice of Proposed Rulemaking on Bylaws, Bank Conversions and Mergers; and Voluntary Mergers of Federally Insured Credit Unions, 12 CFR Parts 701, 708a, and 708b. Bethpage was founded in 1941, has \$ 7.6 billion in assets, and primarily serves consumers on Long Island and the five boroughs of New York City.

Although Bethpage is supportive of the intent of any NCUA regulation that enhances transparency and provides member-owners with relevant information about their credit union, we have concerns about several aspects of the proposed merger rule.

Our view is that the foundational premise regarding mergers centers on transparency and member awareness. Bethpage strongly believes that an open process that provides visibility into the situation regarding potential mergers is essential, and can be best achieved through prominent, Plain-English disclosures that members can readily see and understand. We are also very mindful of the fact that, as member-owned cooperatives, there is a special responsibility for credit union boards and management to ensure that all practical steps are followed to make members aware of the reasons why a merger should be undertaken.

However, there are specific provisions of the proposed rule that Bethpage suggests modifying or eliminating altogether.

- The proposed **member-to-member communications** appear overly complex and burdensome, and may be redundant given the ample mechanisms already available to credit union members. A prescriptive regulation that governs and dictates this type of interaction is unnecessary. Also, the proposed member-to-member procedures to real-world situations is constructed in a way that will elicit participation by those who want to negatively affect the process. Prohibiting a credit union from addressing false or deliberately inflammatory information makes no practical sense, and appears to be designed to inhibit legitimate merger activities. NCUA's proposed language may in fact have the unintended consequence of diminishing awareness of the circumstances surrounding the merger on the part of the member.

- Bethpage would oppose any proposed change concerning **voting participation** levels. The current standard allows a Majority of the Members Who Vote to be a valid vote. Given that a credit union is not able to determine which members choose to participate in balloting, the current rule is a more practical, yet still legitimate procedure.
- In addition to the concerns about the practicality of the NCUA effort to increase transparency surrounding the merger process, NCUA should be careful not to write an overly complicated regulation that unnecessarily delays the process, to the financial detriment of both the involved credit unions as well as the National Credit Union Share Insurance Fund.

An unwarranted delay generated by an individual member or group of members, based on a factually incorrect or manufactured reason, could exacerbate any financial problems present in the credit union being merged, increase potential costs to NCUSIF, and generally create a more difficult merger situation for both the acquiring and merged institutions. While Bethpage is mindful that this proposed regulation would govern only voluntary mergers, we strongly encourage NCUA to consider a broad array of economic factors that drive merger decisions, among which could be declining, or stagnant financial condition of the prospective merged credit union.

If NCUA intends to move forward with this proposed rule, it should provide information on past merger situations that details additional costs that occurred as a result of prolonged or delayed merger transactions. This would provide both NCUA and credit unions with a clearer picture of adverse outcomes that stem from frivolous or unreasonable efforts to stop mergers, efforts that may have nothing to do with broader member interests or legitimate business considerations.

Bethpage commends NCUA for its work on this issue generally, and for working to improve transparency and member awareness in a complicated situation such as a merger. We recognize that member rights should be the principal issue involved. However, we strongly suggest fundamental changes to what we regard as an overly complex and cumbersome proposal.

Sincerely,



Wayne N. Grossé
President and Chief Executive Officer