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Submitted via [Regulations.gov](https://www.regulations.gov)

September 29, 2017

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

RE: Emergency Mergers—Chartering and the Field of Membership - RIN 3133-AE76

Dear Mr. Poliquin:

The Credit Union National Association (CUNA) appreciates the opportunity to comment on the proposed emergency merger rule. CUNA represents America's credit unions and their 110 million members.

Under Section 205(h) of the Federal Credit Union Act (FCUA), the National Credit Union Administration (NCUA) Board may determine whether a credit union is insolvent or in danger of insolvency, and such credit union may be approved by the Board to merge, regardless of common bond or other requisite legal constraints. The proposed rule would refine the current definition of the term "in danger of insolvency," as it pertains to emergency mergers of under-capitalized credit unions (the well-capitalized threshold is 7% net worth ratio), and to expand the eligibility for emergency mergers.

The NCUA proposed rule on emergency mergers would extend the forecast horizons within which a credit union's net worth is expected to either become insolvent or drop below 2% net worth ratio, from 24 to 30 months and 12 to 18 months, respectively. The time period of 36 months in the "significantly undercapitalized" category, a lower threshold, would remain unchanged. The proposal would also provide that credit unions assisted under Section 208 of the FCUA in the 15 months prior may be deemed "in danger of insolvency."

Credit unions support efforts to promote efficient and timely emergency mergers, further ensuring credit union assets are afforded greater protection at a time when value preservation is essential, and members may continue to access financial services, with fewer liquidity constraints. Empirical data collected over the past 20 years support the notion that once a credit union has become under-capitalized, it is often in danger, and frequently fails entirely—eliminating the opportunity to provide key financial services to its credit union membership.

The proposed rule seeks to permit supervisory mergers in cases where such mergers are not only necessary to preserve asset value, but will also maintain the fields of membership of both credit unions, guaranteeing fair and widespread consumer access to the financial services offered through credit unions. The proposal would permit NCUA to act decisively at an earlier stage of resolution than current regulation permits, at a time when more assets can be salvaged and liquidity preserved for the benefit of member-owners. CUNA maintains objection, however, to any regime that would result in rigid guidelines forcing credit union mergers. In the background discussion to NCUA's proposal, the agency notes that roughly 73 credit unions that fell below 2% net worth during the last 20 years remain active today. This illustrates the need to avoid any approach that would impose an inflexible, one-size-fits-all rubric to resolve financially-challenged institutions.

Credit unions are member-owned, non-profit financial cooperatives, with the network, history, and flexibility to offer competitive financial services and products in underserved markets—markets that often most need financial empowerment and improvement. By extending the time period that can be considered in determining the likelihood of failure of an undercapitalized credit union, it is expected that undercapitalized institutions, where merited, will sooner be eligible for emergency mergers.

Thank you for the opportunity to comment on this proposed rule. If you have questions concerning this letter, please feel free to contact me at 202.626.7627.

Sincerely,



Monique Michel
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