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May 11, 2007

Ms. Mary Rupp  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428

Re: Proposed Rule Part 708b  
Disclosure of Merger Related Compensation Arrangements

Dear Ms. Rupp:

On behalf of the management and Board of Bethpage Federal Credit Union, I would like to take this opportunity to comment on proposed changes to Part 708b of NCUA's Rules and Regulations regarding the disclosure of merger related compensation arrangements among federal credit unions.

While it is certainly not our intent to condone or advocate inappropriate behavior with respect to mergers and the compensation of executives in the event of a voluntary merger among federal credit unions in any way, we view additional regulation such as is reflected in the current proposal as unnecessary and respectfully offer our opinion that the current rules and regulations are sufficient to insure an appropriate level of transparency in the voluntary merger process. With that premise in mind, we offer the following comments for your consideration and review.

Admittedly and consistent with patterns reflected in other maturing industries, voluntary mergers have become more commonplace within the credit union movement. Numerous industry factors indicate that this trend is likely to continue as more and more credit unions seek to better serve their members through enhanced services, greater efficiencies and improved economies of scale in a rapidly changing and dynamic financial marketplace. Additionally and equally as compelling, many credit unions are finding it necessary to consolidate as a result of increased costs in compliance and technology. In our view, these are perfectly

legitimate business reasons for credit unions to consider as they evaluate their various business options to enhance both their member service and financial viability in a challenging and dynamic marketplace. Among those options will always be a voluntary merger if that can be determined to be the best means of serving the members and protecting the credit union's financial viability.

Although voluntary merger is seldom the first option a credit union considers when looking at the best way to strategically serve its members and protect its long term financial picture, experience clearly demonstrates that over the past ten years thousands of credit unions have elected to voluntarily merge for just these reasons. We strongly encourage the NCUA to make certain that the ability of federal credit unions to voluntarily merge without additional and unnecessary compliance requirements above those presently in the rules and regulations be recognized and credit unions who choose to voluntarily merge be afforded the maximum in flexibility to avoid unnecessary safety and soundness issues.

It is also important to note that, despite the increase in federal credit union merger activity, total assets and membership have continued to grow and net worth is presently at an all-time high. These impressive statistics suggest that the mergers of recent years have resulted in stronger credit unions where the members continue to be well served, even as the total number of institutions has decreased. Furthermore, there has been no credible evidence presented to date to suggest that, among these thousands of voluntary mergers among federal credit unions, there has been an erosion of member rights, benefits or services. Therefore, with no scandal or outcry arising from the large numbers of voluntary mergers that have occurred over recent years, we find the proposed rule to be, while perhaps well-intentioned, unnecessary in view of the proven integrity of the current rule.

However, should NCUA still deem it necessary to pursue changes to the existing rules regarding voluntary mergers, we would encourage the agency to consider the following suggested revisions to the proposed rule.

### ***Definition of Material Increase***

The proposal requires all federally-insured credit unions to describe any financial arrangements providing a material increase in compensation or benefit to a senior management official in the merger plan submitted to the NCUA. The proposal then goes on to define a material increase as an increase of 15% above the official's current compensation or \$10,000 whichever is greater. We believe this requirement is unnecessarily restrictive and attempts to place a "one-size-fits-all" standard on all federally-insured credit unions without taking into account the individual characteristics of the credit union. For example, a \$10,000 increase in salary under the proposed definition may in fact be material in a smaller institution; however, it may not represent a material increase in a larger institution.

It is our contention that no decision is more the purview of a continuing credit union in the case of a voluntary merger than the decision of which management staff to retain in order to make the merger more successful and the value the continuing credit union attributes to the service of these individuals. However, if NCUA deems it appropriate to apply a regulatory standard which could serve to create a controversy where one might otherwise not exist, we submit for your consideration that - if a trigger must be used in a regulatory requirement regarding what management personnel should be retained for member service purposes and how they should be compensated by the continuing institution - we recommend changing the proposed definition to define a material increase as 25% above the official's current compensation.

***Member Inspection Right and Disclosure of the Material Increase to the Membership***


It is our understanding that simultaneously with the adoption of this proposal the agency is also proposing a broader rule to govern a member's general right to inspect credit union documents. While we certainly can appreciate NCUA's desire to insert the maximum amount of transparency into the voluntary merger process without having a chilling effect on such voluntary mergers, we question the need for a specific procedure for inspection in the proposed Rule 708b, given the accompanying proposal's purpose which is designed to outline the access rights of members to inspect overall federal credit union records. Therefore, we would recommend the removal of the inspection procedures from this proposal in an effort to avoid confusion, overlap and misunderstanding between the two sets of rules. In the alternative, we would suggest at a minimum the following recommended change to the proposed rule.

The proposal would require federal credit unions to disclose the existence of a material increase in compensation to the membership prior to a vote on the merger. Specifically, the proposal would permit any member to inspect the credit union's records detailing the arrangement at an office of the credit union during regular business hours upon a written request at least one day before the date announced for the meeting called for the purpose of voting on the merger. We are concerned that one day notice may not provide ample time for the credit union to accommodate a member's request to inspect the documents. To ensure that members have access to the documents prior to the merger vote we would recommend that the requirement be changed to reflect that the member's request be submitted in writing at least five days before the merger vote.

Thank you in advance for your consideration of our thoughts and comments on the proposed changes to Rule 708b. I would be happy to discuss any of our positions and concerns at your convenience. Bethpage Federal Credit Union does indeed acknowledge and appreciate your challenging responsibilities and diligent efforts, as a safety and soundness regulator and insurer, to protect and

defend America's credit unions and their members. We appreciate the opportunity to extend our formal comments on this proposed regulation for the official record.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kirk Kordeleski', written in a cursive style.

Kirk Kordeleski  
President and CEO  
Bethpage Federal Credit Union