Members
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Dear NCUA Board Members:

We respectfully disagree with the NCUA's recent proposal to "require all federally insured credit unions to include in the merger plan submitted to NCUA a description of any arrangements providing a material increase in compensation or benefits to any senior management officials in connection with the merger." We believe the proposed policy is not only an encroachment on personal privacy but also creates a "chilling" environment on lawfully permitted mergers. It exhibits an implicit mistrust by the NCUA Board and its regulators of all senior management officials of credit unions that are considering mergers.

The Federal Credit Union Handbook published by NCUA states on page 8 that " [I]t is NCUA's policy to ensure its regulations impose only minimal burden on credit unions, consumers, and the public." The subject proposal is at odds with this policy statement. Credit unions are not-for-profit entities, whose employees are entitled to privacy regarding their personal compensation packages. To disclose any information regarding their compensation or any proposed agreement to increase or change their benefits in any way, merger or no, is to infringe upon this right of privacy. Further, the proposed policy not only adds a bureaucratic layer to mergers, it invades the province of all Credit Union Boards of Directors, which is where the issue of compensation rightfully rests.

A merger is a mutual process between two credit unions, and a due diligence review discloses to credit unions' staff, Board AND members the advantages and disadvantages of merging. The total savings of a merger is the sum of all the parts, and not one isolated cost. The proposal begs the question of why fees such as data processing, insurance, back office reductions, inventory and supply savings, audit fees, association dues, and regulatory fees and costs are not individually scrutinized. Why target only salary considerations of senior officials when mergers most often result in pay increases for employees other than senior officials?

We respectfully suggest that the proper inquiry should begin with addressing the question of why credit union mergers are occurring in the first place. It is not because senior credit union management is being overcompensated but is because credit unions are losing membership, assets, deposits and loans. The numbers nationwide support this conclusion. Mergers occur because smaller credit unions realize significant benefits due to economies of scale that directly and immediately improve financial services available to their members. The NCUA needs to accept this reality. Small credit unions are finding it more and more difficult to survive in the marketplace, and the main contributing causes are over-regulation such as the type you are proposing, and the ability to be competitive in the marketplace, including the ability to raise capital in ways other than net income.

Credit unions and the credit union movement, as it were, need to have a chance to survive in a very competitive marketplace. Your mission should be to see that credit unions have the flexibility to do that. Sadly, for all the talk of credit unions being a cooperative movement and proud of their loyal members, the reality is that many of these loyal members cut and run for a .25% better loan or deposit rate elsewhere. The NCUA would better serve its members by allowing competitive flexibility and not by adding to existing regulation. The market, rather than regulators, should decide who the winners are. Currently it does not bode well for the credit union industry. One only has to observe that few new credit unions are being formed as compared to banks. Thus, rather than micromanage mergers, which result in stronger credit unions, we would suggest that the resources of NCUA would be better used to determine how NCUA can best help its members compete today. NCUA must begin to address the all-encompassing needs that our industry has. This proposed regulation is without merit or substance. Credit Union officers are not getting wealthy through mergers, particularly small credit union mergers, where the entities are uniting for mere survival. The NCUA needs to create an environment in which small credit unions, and all credit unions, can thrive.

I would ask that you re-examine your proposal of April 13, and consider its intent and the long-term ramifications it presents for credit unions, mergers and industry survival. We suggest that your efforts be toward creating stronger credit unions that are able to survive in today's world and not thwart that ability through needless regulation.

Respectfully,

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