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June 22, 2007

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)

I am writing in response to your request for public comment on proposed rule 708b, which requires additional disclosures and inspections of merger related compensation of senior management officials.

As a cooperative financial institution owned by its members, we agree that financial compensation to senior management officials should never be the determining factor in the decision to merge a credit union or select a merger partner. We also generally support the need for transparency in the books and records of the credit union. However, these needs must be balanced against the right to privacy of credit union employees as well as the need for credit unions to conduct business in an efficient, expeditious manner.

The proposed rule, while well-intentioned, is problematic for several reasons. First, we strongly believe that regulatory oversight should never be a substitute for the established decision making responsibility of a duly-elected Board of Directors. The Boards of Directors of both merging and continuing credit unions already review the compensation packages of managers of a merging credit union. In addition, they have access to every pertinent detail of a merging credit union's operations, strategic position, economic outlook, and other factors to be weighed when considering a merger. It would be inefficient, and entirely inappropriate, for NCUA to attempt to second guess the merger decision unless it plans to usurp this duty from credit union Boards altogether.

The NCUA has not pointed to any evidence of wide-spread industry abuses or the systemic failure of credit union Boards to properly discharge their fiduciary responsibilities which would warrant such an intrusive rule or regulation. Credit union Boards are elected by the membership and have the duty to act on such matters.

Looking at the specifics of the proposed rule, the trigger for disclosing changes in compensation is the greater of $10,000 or 15% of existing salary. In our experience, the merger of credit unions of disparate size often involves the transfer of employees from small institutions to larger ones. It is not uncommon for larger institutions to have higher pay scales than those in place at smaller ones. Under the rule, any employee earning less than $66,667 would be subject to disclosure if their salary increased by $10,000 or more. For example, a manager of a merging credit union earning $40,000 per year could transfer to a larger organization where the minimum salary for a person in that position is $50,000 or more and trigger the rule. In our experience, such a situation is common and we feel that disclosure would intrude on the privacy of individuals that the agency does not intend to focus on with this rule.

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Let me make it clear, however, that merely increasing the thresholds which would trigger the required disclosure would not lessen our objection to the proposed regulation. Regardless of the proposed thresholds, such a policy is an intrusion into the governance and oversight responsibilities which properly rest with a credit union's Board of Directors.

The proposed rule also states that "any individual member would be entitled to inspect the credit union's records pertaining to the arrangement, at the credit union's office during business hours." This requires clarification because it does not specify what records are to be inspected. Does the agency wish to include insurance benefits, retirement accounts, and other compensation related, but highly personal, records? This rule will create inconsistency and confusion unless more specifics are offered. Member inspections are also allowed up to one day prior to the date of the merger. Keeping in mind that compensation records are maintained by a small group of employees, accommodating requests so soon before a major event would be very difficult. Moreover, if disclosures are provided in merger ballot documents, allowing for onsite review seems superfluous.

Furthermore, if the NCUA were to adopt a regulation permitting such public inspection of individual compensation arrangements in these situations, wouldn't required disclosure of compensation records in cases not involving mergers be the next logical request? Again, while we support the tenets of good corporate governance, including appropriate transparency, this measure would go too far. We applaud and support the recent efforts of the NCUA to gather appropriate data relating to credit union executive compensation as a part of their Member Service Assessment project, but this proposed rule is a step in the wrong direction.

Therefore, we urge the NCUA to refrain from implementing this rule until these concerns can be adequately addressed.

Respectfully,

Darren Williams
President/CEO