



June 28, 2007

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

Re: MCUL Comments on Merger-Related Compensation Arrangements

Dear Ms. Rupp,

The Michigan Credit Union League appreciates the opportunity to comment on the proposed changes concerning new disclosures for material merger-related compensation arrangements. The MCUL is a statewide trade association representing nearly 340 credit unions located in Michigan. Based in Northville Township with a satellite office in Lansing, Michigan, the MCUL offers member credit unions leadership in the legislative and regulatory arena, training and professional development for staff and volunteers, public affairs and information services.

Statement of Opposition

The MCUL strongly opposes efforts of the NCUA Board to interfere with inter-credit union merger negotiations in the manner outlined in the proposal. Requiring new disclosures, placing limits on compensation arrangements and giving individual members inspection rights of compensation records, dramatically increases the level of bureaucracy already required for these kinds of transactions. At a minimum, these new requirements will serve only to limit management's ability to craft a successful merger and ultimately may serve to discourage them entirely. More importantly, on a point of principle, this level of regulatory intervention does not serve a safety & soundness or consumer protection objective and thus is not needed.

Current Disclosure Requirements

It is important to note that the current merger disclosure information that must be provided in the notice to NCUA and members is primarily and appropriately limited to information related to the credit unions' financial strength, share value, changes related to insurance, charter information, branch locations and strength of reserves. Including the proposed additional information relative to senior management compensation sits in stark contrast to the more appropriate financial aspects of the transaction. We feel it is inappropriate to require it. This would also set a precedent that could lead to inappropriate NCUA scrutiny of compensation and benefits in other types of transactions (e.g., post-merger position

enhancements for management staff that result in more compensation associated with expanded responsibilities).

It is not unusual in mergers to include the prospect of greater compensation for management accompanied by commensurate greater responsibility. Sometimes the very real attraction is the possibility of assuming the CEO post in a much larger credit union post-merger. Compensation arrangements are reasonable business decisions that do not taint decision-making detrimental to the membership. In fact, both volunteer boards of directors must still approve the merger proposal (without any opportunity for compensation) and in the case of FCUs, the memberships must also approve the proposal.

The proposal does not stipulate that these types of transactions are prohibited, however, it does create a presumption that the credit union must now explain; it triggers new disclosures to the NCUA and the members; and it requires the credit union to open the records to individual member inspection requests that could be endless. It seems to us a very broad overreach of authority unrelated to NCUA's primary focus on safety and soundness and sets a dangerous precedent for future inappropriate regulatory intervention on compensation matters.

While seemingly well-intended, we strongly feel this proposal is unnecessary and inappropriate. We also feel that there is a clear lack of evidence of abuse that would support this kind of sweeping regulation; and the proposal, as outlined, serves no safety & soundness purpose or compelling consumer protection role.

Sincerely,

David Adams
President and CEO