



June 7, 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)

Dear Ms. Rupp:

On behalf of the California and Nevada Credit Union Leagues, I appreciate the opportunity to comment on proposed amendments to Part 708b of NCUA's rules regarding the disclosure of merger related compensation to senior management officials. The California and Nevada Credit Union Leagues are the largest state trade associations for credit unions in the United States, representing the interests of more than 400 credit unions and their 9 million members.

We wholeheartedly agree with NCUA that a credit union's merger decision should be based on sound business judgment reflecting the best interests of the members. We also acknowledge and appreciate NCUA's concern that inordinate financial incentives offered to senior management officials by a merger partner could improperly influence those officials to support such a merger. However, as NCUA is aware, the actual decision to approve a merger rests with the board of directors of a credit union. A board's decision to merge is typically made only after careful consideration of all the pertinent data (e.g., alternatives to merging, potential impact on financial condition, and operational capacity to serve the combined membership), and would include a review of merger related compensation to senior management officials.

The proposed amendments would require NCUA—instead of a credit union board—to review and approve this merger related compensation information, and appears to be an attempt to substitute NCUA's judgment for credit union board judgment. Further, NCUA would be making such a decision based on a myriad of factors better understood by a credit union board than a national regulatory agency—factors such as the credit union's local market, regional economics, pre- and post- merger staffing provisions, and a senior management official's employment experience and job duties. In effect, the proposal seems to be a vote of “no confidence” regarding credit union boards' abilities to determine whether a particular compensation arrangement has unduly influenced a senior management official to support a merger.

We believe that the proposal fails to provide a compelling safety and soundness issue connected to the share insurance fund to warrant such invasive involvement by NCUA, and are concerned that this action can only serve to interfere and distort effective working relationships between boards and senior management. In addition, the proposal does not provide information as to what has predicated the issuance of this rule. In the proposal, NCUA estimates that less than one percent of the 1,567 credit union mergers that took place in the past five years involved arrangements that would be covered under the proposal. However, no data—not even anecdotal information—is provided as to the extent of “excessive” arrangements, if any, found in the one percent. With no substantive rationale provided by NCUA as the reason for this action, we are opposed to it.

In closing, the California and Nevada Credit Union Leagues would like to thank NCUA for the opportunity to comment on this matter. We appreciate your consideration of our views.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bill Cheney', with a long horizontal flourish extending to the right.

Bill Cheney
President/CEO
California and Nevada Credit Union Leagues