INDIANA Members Credit Union
Keeping It Simple

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March 7, 2008

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

Re: Indiana Members Credit Union Comments on Advanced Notice of Proposed Rulemaking – Mergers, Conversions from Credit Union Charter, and Account Insurer Termination

Dear Ms. Rupp,

The NCUA Board is seeking comment on a number of issues as part of a process to determine if new rules are necessary for credit unions that merge or convert to another type of financial institution or terminate NCUSIF coverage. We appreciate the opportunity to give our input; however, our focus is specifically related to mergers of a federally insured credit union (FICU) into another FICU. We believe NCUA can improve the merger process and provide more informed member decisions by enhancing the existing Rules and Regulations, Part 708b, and merger forms.

Indiana Members Credit Union has merged in over 30 credit unions over the years. We believe the best approach in a merger situation is an honest and upfront disclosure of all facts involved with the merging credit union's board of directors, management, staff and members. Credit unions were founded as a cooperative by members, and for members, and it is the members who should decide the viability of a voluntary merger.

Members Right to Equity

A share adjustment should be allowed to take the form of a merger dividend back to the merging membership. Generally, federal credit unions may only return net worth to members in the form of dividends or a return of interest, 12 U.S.C. 1761b, 1763. Dividends must be based on an account balance as of a specific date or calculated over a period of time, whether a month, a quarter, or several years, 12 CFR 707.7(a), Appendix B (b). In the merger process, credit unions should be allowed to establish a dividend based on returning equity to the members, which may or may not be based on a savings account balance, for example, allowing a merging credit union to pay a flat dividend rate to every member.

NCUA should consider allowing a merger dividend. The NCUA Rules and Regulations should be adjusted to allow the board of directors of a merging credit union to consider this issue as part of its due diligence, come to its own conclusion, and then justify that decision to the members.

However, this dividend should not be required. Imposing a merger dividend requirement would deny credit unions the flexibility to decide for themselves whether to include a merger dividend as part of their due diligence and negotiations. NCUA should leave the calculation of any dividend to the merging credit unions, essentially allowing market forces and the wishes of the members to determine if a dividend is appropriate.

Also, NCUA should consider specific regulatory requirements regarding the record date for members voting on a conversion proposal, eligibility for a merger dividend, or other transactions. We would support a record date for members voting and paying a merger dividend of at least three months prior to the signing date of the Resolutions of the board of directors and/or the Proposed Merger Agreement.

Management's Duties
NCUA's experience with FICU to MSB conversions suggests that in some cases credit union officials have pursued personal enrichment to the detriment of members, and NCUA has issued disclosure requirements to make members aware of the potential for this abuse. However, this abuse occurs in mergers involving FICU. NCUA must address this issue as well. NCUA should amend the Notice of Special Meeting of the Members, NCUA 6305A, to require a statement disclosure of any merging credit union board of director or employee receiving additional compensation as a result of this merger.

Communication to Members
Communication and disclosure to the membership is a very critical part of the merger process. Currently the Notice of Special Meeting of the Members, NCUA 6305A provides the method to disclose merger related issues to the membership. We believe allowing a special merger dividend to be included as an adjustment in shares, and disclosure of any additional compensation to merging credit union officials or employees will enhance this document and enable a more informed member merger decision.

Thank you for allowing us to comment on this timely issue.

Sincerely,

Michael L. Miller

Michael L. Miller,
Vice President of Operations