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From: Beverley Rutherford [beverley.rutherford@vacu.org]
Sent: Wednesday, September 24, 2008 10:20 AM
To: _Regulatory Comments
Subject: VACU Comments on Notice of Proposed Rulemaking for Parts 702 and 704

Thank you for the opportunity to comment on your proposed rule regarding the amended definition of post-merger net worth. I am responding on behalf of the largest state-chartered credit union in Virginia.

We support the proposed changes to the net worth calculation as an alternative. However, we do have several comments about post-merger net worth. They are as follows:

- We do not believe the proposed changes to Part 702 will actually result in post-merger net worth similar to that obtained under the pooling method. The “net assets” of the merging credit union are based on fair value, while under the pooling method, historical cost. Depending upon the financial condition of the merging credit union, the net worth that actually gets recorded may be more or less.
- We believe the only alternative to ensure post-merger net worth is more in line with the “pooling method” is to get FASB to revisit FAS141 for credit unions. A credit union merger is the best example of a true pooling of interests. To have to account for one as a purchase similar to a transaction where cash/equity is trading hands is not representative of the transaction. We do not believe you will ever be able to mirror the net worth effect unless the pooling method is allowed.
- Using the acquisition method for determining an acquiring credit union’s net worth may have the effect of stifling credit union mergers especially in those cases where the merger is being done due to the health of the merging credit union if the merging credit union is of a significant size compared to the acquiring credit union.
- Overall, we believe this change will certainly help to level the playing field in response to a financial accounting standard that NCUA had no control over.

Please let me know if you have any questions about our comments.

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