



September 29, 2008

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

Re: Amended Definitions of Post-Merger Net Worth (Parts 702 and 704)

Dear Ms. Rupp:

The National Association of State Credit Union Supervisors (NASCUS)¹ appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) concerning NCUA's proposed Amended Definition of Post-Merger Net Worth, Parts 702 and 704. NASCUS supports amending Part 702 and Part 704 to expand the definitions of net worth to correspond to statutory changes allowing for approximation of the pooling method of accounting in credit union mergers. The end result will allow credit union mergers to continue without dramatic and prohibitive reduction in the continuing credit union's net worth as a result of mandate accounting methodology. Encouraging voluntary merger in cases of troubled institutions is an important regulatory tool.

Part 702

The proposed amendment to Part 702 would create a new subsection of Part 702.2(f) including the following:

(3) For a credit union that acquires another credit union in a mutual combination, net worth also includes the retained earnings of the acquired credit union, or of an integrated set of activities and assets, at the point of acquisition. A mutual combination is a transaction in which a credit union acquires either another credit union, or an integrated set of activities and assets *that is capable of being conducted and managed as a credit union for the purpose of providing a return in the form of economic benefits directly to owner members.*

- [emphasis added]

¹ NASCUS is the professional association of the 47 state credit union regulatory agencies that charter and supervise the nation's 3,400 state-chartered credit unions.

While supporting the proposal's post-merger net worth definitions and calculation methodology, NASCUS is concerned by what appears to be dicta in the proposed amendment to Part 702.2(f)(3). The emphasized wording above does not currently exist in Part 702, nor is it required by the statutory expansion of the net worth definition found in the 2006 Regulatory Relief Act. This wording may ultimately only confuse and complicate credit unions mergers.

In addition, NASCUS suggests the section start off with the phrase "in a mutual combination" rather than with language characterizing the transaction as an acquisition.

NCUA should move forward with the proposal without the problematic language of Part 702.2(f)(3) identified in this letter. NASCUS appreciates the opportunity to comment on NCUA's proposal. Please do not hesitate to contact NASCUS to discuss our comments further.

Sincerely,

- signature redacted for electronic publication -

Brian Knight
Senior Vice President, Regulatory Affairs