

Highlights of National Credit Union Administration Voluntary Merger Proposal and Association Comment Letter

NCUA Board Meeting June 21

Final Rule, Parts 701 and 708b, Voluntary Mergers

10:00 a.m.

Board Room, 7th Floor, Room 7047

1775 Duke Street (**All visitors must use Diagonal Road Entrance**)

Alexandria, VA 22314-3428

Proposed Voluntary Merger Rule

The proposed rule revises the procedures a federal credit union (“FCU”) must follow to merge voluntarily with another credit union.

- Revises and clarifies the contents and format of the existing required member notice; requires merging FCUs to disclose all merger-related financial arrangements for covered persons; increases the minimum member notice period; provides procedures to allow reasonable member-to-member communications regarding the proposed merger; and makes conforming amendments regarding termination of insurance when the surviving credit union is not an FCU.
- Expands definition of “merger-related financial arrangement” to include compensation arrangements with management and certain highly-compensated employees rather than solely senior management officials or directors.

August 7, 2017 Comment Letter

- Regulatory policies are supported that permit credit unions to merge on a voluntary basis, with a credit union’s board and its members having a say in determining the merging credit union’s best interest.
- NCUA should not substitute its judgment for the informed decision of a credit union's management, board, and members to merge.
- Any merger rule should be sufficiently flexible to accommodate all situations and business needs of the merging partners; should not increase the burden for either credit union in a merger situation.
- Proposal creates inappropriate opportunities for individuals to be involved in a business decision by the credit union; NCUA already possesses the ability to address discrepancies and issues in a merger situation on an individual basis.
- Concern exists over the effect the proposed rule would have on the timing of a merger. In many instances, mergers are occurring because the merging institution is in desperate need of help. Expanding what is required to be disclosed, who is covered, and when and how meeting notices are provided, and meetings held, will inevitably slow a process that very often should happen relatively quickly to avoid harming members.
- A merger rule should not be prohibitive, as the premise upon which credit unions function is to serve the needs of their members and with their interests in mind. The credit union’s board of directors is elected by the membership and represents the membership. Many of these changes strip the board of the right to make decisions on behalf of the membership. A merger decision, which is often very difficult to make, is done in the best interest of the members. CUA comments suggested that any procedure which would lengthen the time it takes to facilitate and complete a merger should not be adopted.