



strength in members.

15 June 2020

Mr. Gerard Poliquin,
Secretary of the Board, National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428
via Federal eRulemaking Portal (<http://www.regulations.gov>)

RE: RIN 3313-AF10

Dear Mr. Poliquin:

On behalf of the New York Credit Union Association, I am writing this letter to comment on the proposed rulemaking establishing a framework for evaluating proposed combination transactions between non-credit unions and credit unions published by the National Credit Union Administration (NCUA). The Association represents New York State's credit unions and their nearly six million members in expressing our support of NCUA's efforts to establish a framework for this process. While credit union/non-credit transactions are relatively rare, they are increasing. It is in the interest of both regulators and financial institutions to have a clearly delineated process. A properly drafted framework should: foster an even handed evaluation of these mergers, result in credit union parity with non-credit unions and, most importantly, provide more consumer choice. This proposal accomplishes some but not all these goals.

When a credit union merges with another credit union a majority vote of the membership is all that is needed for all the members of the surviving credit union to be eligible for membership. Furthermore, these new members automatically have their existing accounts insured. In contrast, under this proposed framework, in order for a members account to transition from being insured by the FDIC to being insured by the National Credit Union Share Insurance Fund, the credit union must demonstrate that "the depositors have consented to become members of the Federal Credit Union". This requirement mandating that depositors agree to become credit union members before the merger, while well intended, will needlessly complicate proposed mergers. Specifically, it is far from clear that non-stock holding customers with bank accounts have the authority to even vote to join a credit union. This road block is easily addressed by authorizing the share insurance fund to immediately insure the depositor accounts, making existing depositors within a credit union's existing field of membership presumptive members of the new credit union and giving them a certain amount of time to opt-out of membership.

In addition, NCUA should reduce the criteria it proposes to use in evaluating whether or not a proposed credit union/non-credit union combination should be approved. Specifically, NCUA is empowering itself to consider whether or not a transaction “fits into” the credit union’s cooperative purpose. This criterion would allow NCUA to block a merger based on NCUA’s opinion regarding the mission of the credit union. This analyses is an inappropriate incursion into a board’s responsibility and its right to, consistent with safety and soundness, be the arbiters of a credit union’s strategy and mission.

The Association believes that combination transactions involving non-credit union mergers into credit unions expand consumer choice and access to financial resources. They are consistent with the credit union mission. We look forward to observing how this process is implemented, and we are committed to supporting NCUA should any opportunities arise to improve or build upon this framework.

Sincerely,



William J. Mellin
President/CEO
New York Credit Union Association