



March 30, 2020
Mr. Gerald Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

Re: Combination Transactions with Non-Credit Unions; RIN 3133–AF10

Dear Mr. Poliquin,

The Ohio Credit Union League (OCUL) appreciates the opportunity to submit comments supporting the National Credit Union Administration's (NCUA) proposed rulemaking to provide clarity on the regulatory requirements pertaining to combination transactions between credit unions and non-credit unions.

OCUL represents the collective interests of Ohio's 257 credit unions and their more than 3 million members. Of those 257 credit unions, 141 are federally-chartered; 69 state-chartered, federally insured; and, 47 state-chartered, privately-insured. Thus, a supermajority of Ohio's credit unions relies on the NCUA to promulgate modernized rules that reflect the current landscape of the industry, while providing flexibility. OCUL appreciates the agency's commitment to examining combination transactions to encourage credit union-specific regulation that contributes to an efficient and sound operating environment.

Combination transactions present unique opportunities for Ohio's credit unions to serve their communities. Many local communities rely on smaller financial institutions as their only means of accessing capital. When those institutions decide to leave the local market, consumers are often left without an alternative financial service provider without a geographic presence and its convenience. Acquiring the assets of smaller financial institutions leaving local markets enables credit unions to keep branches open in underserved communities and provide quality services that meet or exceed those provided by the departing institution.

We appreciate the NCUA's proposed guidance for such combination transactions but would like to address some concerns we have regarding specific proposal components that would make it harder for credit unions to navigate such transactions.

Duration of the Approval Process (708a.402)

First, although the criteria used to evaluate combination transaction applications is reasonable, OCUL is concerned that the proposed rule does not impose a deadline for the timeframe NCUA may consider a single application. Asset purchases are time sensitive by nature, and credit unions often compete against non-credit union businesses for favorable terms. If NCUA were to prolong a decision regarding a combination transaction, the acquiring credit union may end up missing an opportunity to close the transaction quickly. Therefore, we suggest NCUA adopt a timeframe of no more than 60-days by which the agency must consider a combination transaction application, or else deem the transaction approved.

Disposal of Impermissible Assets (708a.403)

Second, OCUL is generally supportive of the application information proposed under this section. However, we are concerned with the proposed requirement for an acquiring credit union to list the other financial





institution's assets that are impermissible for the acquiring credit union to hold without a plan for excluding such assets. Much like the concern regarding the transaction application timeframe, this proposed requirement would likely inhibit the acquiring credit union's ability to timely close a sensitive transaction. Rather than requiring such items be excluded from the outset, we suggest NCUA consider granting the option for a credit union to hold such impermissible assets for a period of up to twelve months in order to either make the assets permissible or ensure proper disposal. This would allow for transactions to proceed swiftly, while still holding credit unions accountable for divestment of impermissible assets.

Other Information (708a.403(c)(2))

Additionally, although OCUL understands the need for the NCUA Regional Director to maintain flexibility in creating additional requirements for submitting combination transaction applications, we would like to add a clarification to Section 708a.403(c)(2) regarding reasonability. Specifically, this section allows the Regional Director to exercise discretion in requesting any additional information deemed necessary. OCUL suggests NCUA add a qualifier to this section that the Regional Director may request any discretionary information deemed *reasonably* necessary. This qualifier could provide reassurance to acquiring credit unions that the Regional Director cannot request additional information arbitrarily, which could create potential delays in any given combination transaction.

Federal Credit Union Membership (708a.405)

Finally, OCUL does not feel it is reasonably feasible to require an affirmative consent of each non-credit union account-holder for membership qualification with the acquiring credit union prior to the close of a combination transaction. Requiring affirmative consent entails an unreasonably lengthy and complex process and may stall time-sensitive transactions, jeopardizing the swift closure crucial for successful market transactions. For NCUA to provide maximum flexibility to credit unions, OCUL suggests an opt-out option for non-credit union account-holders during a combination transaction. This would further encourage an efficient combination transaction and provide consumers with a preferred financial institution choice.

In summary, OCUL appreciates the opportunity to engage with NCUA and provide comments on the proposed regulatory requirements regarding combination transactions. We urge NCUA to strive for federal regulatory parity while also providing the flexibility for credit unions to alternatively manage complex business transactions and preserve institutional safety and soundness. We emphasize that in market-driven combination transactions, speed, timeliness, and responsiveness are essential to success. If you have further questions or would like to discuss OCUL's comments in more detail, please feel free to contact us at (800) 486-2917.

Respectfully,

Handwritten signature of Paul L. Mercer in black ink.

Paul L. Mercer
President

Handwritten signature of Chris Noble in black ink.

Chris Noble
Regulatory Counsel

