



**National Association of Federal Credit Unions**

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**Fred R. Becker, Jr.**  
*President and CEO*

January 8, 2010

The Honorable Debbie Matz  
Chairman  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314

Dear Chairman Matz: *Chairman Matz*

On behalf of the National Association of Federal Credit Unions, I am writing to share the concerns of our members regarding the process that NCUA follows in facilitating mergers. In 2009, NCUA staff stated on several occasions that due to the current economic environment, it had, and expected to continue to see an uptick in credit union merger. Further, NCUA indicated that if a credit union is willing to merge with another credit union, it should make that desire known not only to its home Regional Director, but also to all Regional Directors.

NAFCU is encouraging its members to contact all Regional Directors regarding their availability to merge with all or part of another credit union; however, NAFCU also believes that the agency should make this known in a formal communication to all credit unions. In this regard, NAFCU believes there is still considerable confusion and frustration with the process that NCUA employs to find suitable merger partners. While NAFCU understands that NCUA must in many cases act quickly to find a suitable merger partner for a troubled credit union in order to protect the share insurance fund, many of our members have expressed dissatisfaction with some of the mergers that have resulted over the past year.

In this vein, NAFCU continues to strongly encourage NCUA to review the assisted merger process and promulgate by means of a proposed rule, standardized agency merger procedures and timelines which prospective merger partners can follow as they seek to assist an ailing credit union. NAFCU believes that standardized agency merger procedures and timelines will create a transparent process that will benefit all participants. NAFCU obviously understands that the agency needs flexibility in the current economic environment. However, one consequence of the lack of standardized

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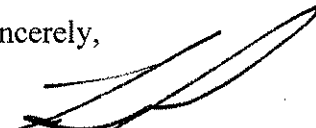
agency procedures is that many credit unions are being left out of fair and equitable consideration. Further, we believe standardized merger procedures would provide more competition thus adding further protection to the National Credit Union Share Insurance Fund.

We also understand the need to keep certain issues confidential. Nonetheless, we believe there is a middle ground that can be reached where important issues may be kept confidential while still providing prospective merger partners more information regarding the selection process. We believe potential partners should have an opportunity to provide a final, written statement outlining their case for the merger. At the very least, the agency should provide some sort of written explanation detailing the primary reasons for its decision. Simply making the process more transparent would do much to alleviate the concerns NAFCU has heard from its members.

In summary, NAFCU reiterates its call for NCUA to clarify its selection criteria to match troubled credit unions with potential merger partners, and urges NCUA to cast a wide net for suitable partners. It takes considerable resources for a credit union to examine a merger opportunity to see if it would make viable business sense for its members. Further, the credit union must rely on NCUA to a large extent for the information it is evaluating. Thus, our members need for this process to be as transparent as possible.

I look forward to speaking with you on this important issue. Please contact me or Carrie Hunt, NAFCU's Senior Counsel and Director of Regulatory Affairs, at (703) 842-2234, if you have any questions or concerns.

Sincerely,



Fred R. Becker, Jr.  
President and CEO

cc: Board Member Michael E. Fryzel  
Board Member Gigi Hyland

*Chairman Matz -  
We sincerely hope the  
agency will soon  
promulgate standard  
procedures and provide  
transparency to this process!*