



The National Association of State Credit Union Supervisors

June 22, 2026

Melane Conyers-Ausbrooks
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

RE: Comments on Proposed Rule – 12 CFR Part 708a Subpart C Merger of Federally Insured Credit Unions into Banks

Dear Ms. Conyers-Ausbrooks:

The National Association of State Credit Union Supervisors¹ (NASCUS) appreciates the opportunity to submit comments on the National Credit Union Administration’s (NCUA) proposed amendments to 12 CFR Part 708a Subpart C Merger of Federally Insured Credit Unions into Banks.² NASCUS supports NCUA efforts to better calibrate the agency’s share insurance rules to reduce regulatory burden on federally insured credit unions by eliminating outdated, redundant, or ineffective regulations. With respect to the mergers of federally insured credit unions (FICUs) into banks, NCUA’s current regulations are too prescriptive and overly broad in their application to federally insured state credit unions (FISCU).

➤ **The Merger of a FISCU into a Bank Presents Different Issues for NCUA than the Merger of a Federal Credit Union into a Bank**

Unusual within the U.S. “banking” system’s regulatory framework, NCUA is both the chartering authority for federal credit unions (FCUs) and the federal deposit insurer for FCUs and FISCU. These dual roles for NCUA encompass overlapping and distinct interests. As the Administrator of the credit union Share Insurance Fund (SIF), NCUA seeks to mitigate material risk to SIF by requiring credit unions be operated in a safe and sound manner. As the chartering authority for FCUs, NCUA’s interests extend beyond safety and soundness and may touch structural and governance issues with little or no nexus to financial risk.

Many of the provisions within Subpart C address membership communication issues and membership voting issues that are more appropriate for the chartering authority than for the

¹ NASCUS is the professional association of the nation’s forty-five state and territorial credit union regulatory agencies that charter and supervise over 1,800 state credit unions. NASCUS membership includes state regulatory agencies, state chartered and federally chartered credit unions, and other important stakeholders in the state system. State-chartered credit unions hold approximately half of the \$2.4 trillion assets in the credit union system and are proud to represent nearly half of the 145 million members. The remaining six states lack state-chartered credit unions.

² Merger of Federally Insured Credit Unions into Banks, 91 Fed. Reg. 21391 (April 22, 2026).

share insurer. State regulators are the chartering authority for FISCUs and these questions of governance are more appropriately matters of state law and state regulation.

NASCUS is deeply committed to consumer protection and protecting the rights of members. However, the conduct of membership votes, the nature and timing of membership communications related to a credit unions charter, and issues related to control and “ownership” of a FISCU have tenuous direct connection to financial safety and soundness. These are questions for the chartering authority. As such, NCUA should exempt FISCUs from 708a Subpart C if state regulations address mergers into a bank.

Upon completion of the merger of a FICU into a bank, the deposit insurance coverage provided by the SIF would terminate and deposit insurance coverage with the Federal Deposit Insurance Corporation would commence. In the past, NCUA has noted that termination of SIF coverage presents material risk to the credit union system in the event a credit union terminates its SIF coverage, subsequently fails, and the credit unions deposits were uninsured. We note the transaction at hand presents no such risks as the FISCU would be converting to federal deposit insurance coverage carrying the same full faith and credit as the SIF.

➤ **Streamlining Board of Directors Duties and Pre-Voting Procedures in Mergers**

NCUA proposes eliminating definition of “clear and conspicuous” in § 708a.301, mandating such prescriptive rules as font size and type, as well as the pre-board-vote notice requirements in § 708a.303(b)(1), mandating publication in a print newspaper. NCUA also proposes removing the § 708a.304(d) requirement for the credit union board to describe how they located the merger partner and negotiated the merger agreement in its submission to the NCUA.

NASCUS supports the proposed changes. The provisions in question are too prescriptive and/or outdated and provide little value to inform the membership. Furthermore, with respect to FISCUs, they have no material nexus to financial safety and soundness and therefore unnecessarily preempt state authority.

The NCUA also seeks comments about whether the credit union's Supervisory Committee should supplement the review of the merger to ensure the members' best interests are served. NCUA's existing rules do not require FISCUs to have a supervisory committee. Including a regulatory requirement inserting supervisory committee into the Board's decision to recommend a merger vote to the membership could be confusing for FISCUs that do not have such committees.

➤ **Modernizing and Simplifying Member Communications and Disclosures in Mergers**

NCUA proposes removing prescriptive formatting requirements in § 708a.305(e)(2) dictating certain text must be placed in a box on the front of a single, otherwise blank piece of paper and placed at a specific point in the notice package. While noting, again, that such prescriptive notice requirements have little nexus to financial safety and soundness, NASCUS supports these changes and agrees the current provisions do little to meaningfully enhance member communications and unduly intrude on the discretion of the credit union's board to communicate with their members in their own way.

➤ **Elimination of Non-Regulatory Guidance in Mergers**

NCUA proposes removing non-binding guidance relating to member voting on a proposed merger into a bank found in § 708a.312. In response to requests for comments on other rules pursuant to NCUA's deregulation project, NASCUS has noted that removing non-binding guidance from the text of rules might make it more difficult for stakeholders to understand compliance obligations. We have no such concerns related to § 708a.312. NASCUS supports the removal of § 708a.312.

Conclusion

NASCUS acknowledges NCUA's statutory authority pursuant to 12 U.S.C. 1785 to promulgate rules governing a FICUs conversion to a bank. However, we note that the statutory instruction to NCUA is limiting in nature. Furthermore, Congress established baseline requirements for these transactions. Absent articulation of material safety and soundness concerns, NCUA should align as closely to the statutory language as possible with respect to FISCUs.

Furthermore, limiting NCUA regulatory encroachment into FISCU governance issues strengthens the dual chartering system by minimizing unnecessary homogenization of state and federal credit unions. A healthy dual chartering system enhances the overhaul credit union movement by encouraging productive competition between regulators and encourages supervisory innovation.

Limiting the applicability of Part 708a Subpart C to FISCUs strengthens the credit union system and decreases risk to the SIF.

NASCUS supports NCUA's proposed changes and we urge the agency to consider our comments and further reduce regulatory burden on FISCUs by limiting the scope of NCUA's rule with respect to FISCU mergers into banks.

NASCUS Comments
Part 708a Subpart C
Mergers of Federally Insured
Credit Unions into Banks
June 22, 2026

We appreciate the opportunity to comment and welcome continued collaboration with the NCUA as the supervisory framework evolves.

Sincerely,

-signature redacted for electronic publication -

Craig Money
Vice President,
Regulatory Affairs &
AML/AFC Compliance