



September 23, 2024

Melanie Conyers-Ausbrook
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314

Re: NCUA-2024-0037-0001: Succession Planning

Filed via Federal eRulemaking Portal: <https://www.regulations.gov>

Dear Ms. Conyers-Ausbrook:

CrossState Credit Union Association (CrossState) appreciates the opportunity to share comments from our members on the National Credit Union Administration's (NCUA) proposed rule to require Federal Credit Union (FCU) boards of directors to establish processes for succession planning for key positions. The rule will also apply to federally insured state-chartered credit unions (FISCU) where no state statutory or regulatory requirement conflicts with the proposed rule.

CrossState is a regional trade association that advocates for nearly five hundred credit unions located in the State of New Jersey and Commonwealth of Pennsylvania. Credit unions were formed for the purpose of making credit available to Americans and promoting thrift through a national system of nonprofit, cooperative financial institutions. Credit unions are owned by their members and controlled by volunteer boards of directors elected by their membership. Earnings of credit unions are returned to members through fewer and lower fees, higher yields on savings, and lower loan interest rates.

NCUA originally proposed a succession planning rule in February 2022. CrossState thanks the NCUA for the opportunity to comment at that time and to weigh in on the current proposed rule. In both the 2022 rule and the current proposal, the NCUA acknowledges the long-term industry trend of credit union consolidation. Citing decade-old data, the agency notes that many credit unions have merged in part due to the lack of succession planning.

CrossState and its member credit unions embrace the importance of succession planning for credit unions of all sizes. Additionally, CrossState emphasizes the importance of providing resources and support to smaller credit unions to keep them operating independently, rather than merging into larger ones. This is vital for the credit union system and the communities they serve. More financial institutions offer consumers greater choice and benefits.

The rule that NCUA is proposing would require federally insured credit unions of all sizes to have a succession plan for key positions, including officers of the board, management officials, executive committee members, supervisory committee members, and, as applicable, members of the credit committee or loan officers. The board of directors of the credit union would be responsible for reviewing, at least annually, and approving a written succession plan.

The current proposal, as written, would be overly burdensome for smaller credit unions, even with the addition of a template to help in the drafting of the plan. This would require considerable time and resources, which may have the unintended consequence of hastening the consolidation of a credit union, rather than preventing or slowing it.

As we noted previously, succession planning would be better served with written guidance and Letters to the Credit Union process, rather than a rule that imposes another regulatory burden on all credit unions. Guidance would give all credit unions, but especially smaller credit unions, time to prepare should an eventual rule result. As the NCUA notes in the proposed rule, issuing guidance on this topic, rather than a rule, would also be consistent with the approach taken by other banking regulators.

While we do appreciate the addition of the template, it is limited and includes a blank page, without the details necessary to properly guide smaller credit unions through the planning process. As the NCUA mentions, assistance for smaller credit unions will be made available from their trade associations and possibly larger credit unions. Despite the assistance and resources from various sources, the rule remains overly prescriptive, especially in the depth of positions that must be covered by the plan, which should be determined by the credit union's board of directors.

NCUA also highlights that plans for smaller credit unions will be less complex and detailed than the plans of larger credit unions. However, the rule still requires the same elements be included in the succession plan. The succession plan must still include plans for recruitment, training, retention of replacements for the positions, and potential budgetary consideration when filling a vacancy. The NCUA estimates that this planning process would take approximately ten hours per credit union on an annual basis. That estimate seems low, considering the first year of developing and implementing the plan.

Reiterating our comments to the agency from 2022, CrossState encourages NCUA to further study the primary reasons for the merger of smaller credit unions into larger ones. The data points referenced in the proposal are over ten years old and the credit union operating environment has changed dramatically. Following the pandemic, financial institutions have adopted various technological advancements, including online banking, mobile banking, interactive teller machines, and peer-to-peer platforms. These technologies enhance convenience for members, reduce the need for face-to-face contact, and ensure continuity of services during leadership or staffing gaps.

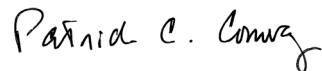
Smaller credit unions often lack the resources to keep pace with the latest technology, which may be a factor leading to the consolidation of smaller credit unions. Although the NCUA provides resources to support small credit unions, NCUA should ensure that these efforts do not

divert resources from other initiatives that could help the credit union better serve their members.

While CrossState agrees that succession planning is a critical component of strategic planning and should be undertaken by all credit unions, we continue to believe a rule is not necessary to address this issue. The banking regulators have issued necessary guidance on succession planning. Guidance should be more appropriate to provide additional time for the development of training and resources geared at assisting small credit unions with this process.

Thank you for the opportunity to provide comments on this important issue.

With best regards,



Patrick C. Conway
President & CEO

cc: CrossState Board
CrossState Government Relations Committee
CrossState Regulatory Review Committee