



September 23, 2024

Ms. Melane Conyers-Ausbrooks
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

Re: NCUA Succession Planning Proposed Rule – RIN 3133-AF42/Docket NCUA-2024-0037

Dear Ms. Conyers-Ausbrooks,

The Indiana Credit Union League (ICUL) appreciates the opportunity to submit comments on the NCUA's proposed rule regarding credit union board and management succession planning. The ICUL member credit unions represent 99% of assets and members of Indiana's credit unions, with those memberships totaling more than 2.8 million consumers. We agree that sound succession planning plays a key role in a credit union's long-term success and that it can be particularly impactful for smaller credit unions. In fact, the League frequently provides assistance to credit unions developing succession planning processes and documents and emphasizes its importance through our consulting and education services.

While acknowledging the importance of succession planning and appreciating the NCUA's interest and authority in this area based on its safety and soundness responsibilities, we strongly believe that this proposed rule goes beyond the scope of what is necessary and pushes credit union boards' responsibilities in some areas beyond what is appropriate. In our comment letter filed in response to the 2022 succession planning proposed rule, we commented that succession planning should be addressed by the NCUA through guidance rather than through regulation and our position has not changed. Succession planning is just as important in other banking institutions and other banking agencies have chosen to address the issue through guidance, not rules and regulations. We again urge the NCUA to reconsider the proposed rule approach and instead issue guidance as it has already done on this issue and continue to offer credit unions the valuable tools and assistance that are described in the proposed rule and are already available.

We appreciate that the proposed rule acknowledges concerns for the regulatory burden that could be placed on smaller credit unions and that the NCUA offers assistance and has provided a sample template for a succession plan. However, we believe that these types of overly prescription rules contribute more significantly to small credit union mergers than succession planning issues. From a regulatory burden standpoint, the proposed rule identifies too many management positions for which succession plans must be identified and prescribing that the plans must identify specific recruiting plans for each position goes too far. We are concerned that a proposed rule ostensibly meant to help credit unions avoid mergers through better succession planning could instead contribute to increased regulatory burdens that more often lead to mergers.

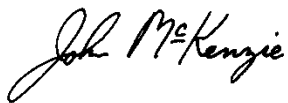
Additionally, we believe the long, prescriptive list of positions that must be included in a credit union's succession plan pushes a credit union board's area of responsibility beyond what is appropriate. We agree that credit union boards have a responsibility to prepare for board and committee succession as well as for the succession in the chief executive position. However, requiring a credit union board to have significant involvement in succession planning for other management positions, especially all the way down to loan officers, would place board members in a management role that is not appropriate. If the NCUA is determined to finalize a rule rather than issuing guidance, we strongly urge that it reconsider the long, prescriptive list of positions that must be included in a succession plan and instead focus on board and committee succession and the chief executive position.

The NCUA also asks for comment regarding deviations from a board-approved succession plan and asks whether it would be better to prohibit deviations from the plan in between the board-designated review periods. If there is going to be a final rule, we support the approach taken in the proposed rule that would allow deviations that would be explained to the credit union board and noted in the meeting minutes. Credit unions must have maximum flexibility to deal with what often are complex human resources situations and restricting them to the letter of an adopted succession plan for what could be a long period of time could be harmful to the credit union. Credit unions handle succession issues differently – some hire outside human resources consultants, some appoint executive search committees, some have full board involvement. In these situations, a credit union's focus should be hiring the best individuals and not fulfilling a regulatory requirement.

Finally, we are concerned with the approach being taken with federally insured state-chartered credit unions in the proposed rule. It is not clear what types of state statutes or regulations would be in conflict with the NCUA rule, which could lead to confusion. For example, if a state regulator issued succession planning guidance rather than a rule or regulation, would that be sufficient to exempt state-chartered credit unions in that state? We would recommend that this regulation not apply to state-chartered credit unions or that the NCUA provide more specificity about the circumstances under which they would be exempt.

Thank you for the opportunity to comment on this important issue. If you have any questions about our letter, please do not hesitate to give me a call at (317) 594-5320.

Sincerely,

A handwritten signature in black ink that reads "John McKenzie". The signature is written in a cursive, flowing style.

John McKenzie
President, Indiana Credit Union League