

February 2, 2016

FEB09'16 PM 3:15 BOARD

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: Comments on Proposed Rule 12 CFR Part 701, Chartering and Field of Membership

Dear Mr. Poliquin:

Thank for your taking time to review our comments regarding the proposed changes to the Field of Membership Manual (FOM), as published in the Federal Register. We appreciate the opportunity to share our support and proffer for reconsideration some recommendations to further enhance the proposed changes.

The Police Federal Credit Union is chartered under the rules governing trade, industry and professions. We serve the law enforcement community in the Washington, D.C. metropolitan area. Although many of the proposed changes to the FOM will not directly affect our current operations, we do believe the industry as a whole will greatly benefit from the changes proposed by NCUA. Police FCU is supportive of the NCUA's proposed rules, but we would like to focus in on several areas that demand further clarity:

1. Core Area Service Requirement - the NCUA's current FOM regulation for community credit unions requires credit unions that wish to serve a community consisting of a Core Based Statistical Area (CBSA) must serve what NCUA defines as the "core area" of the CBSA. NCUA defines the core area as the most populous county or named municipality in the CBSA's title.

Recommendation: The fact is serving a CBSA or "core area" is not required by the Federal Credit Union Act (FCUA). This is a standard the agency devised for describing a well-defined local community (WDLC) that is not a single political jurisdiction (county or city). NCUA should not place limitations on service areas in a statistical area; these limitations or requirements can divide an area into portions that do not represent a viable community or perhaps exclude the viable portions of a community.

2. Population Limit as Applied to a Well-Defined Portion of a CBSA – The current FOM regulation prohibits a community chartered credit union to serve a portion of a CBSA if the overall population of the CBSA exceeds 2.5 million. Contrarily, the current regulation permits a community chartered credit union to serve a portion of a CBSA with a population of 2.5 million or less as long as the credit union serves the core area.

The proposed requirement will likely harm community credit unions that serve a CBSA with populations exceeding 2.5 million that are also made up of many small lesser populated Single Political Jurisdiction (SPJs). These credit unions are currently limited to the largest city or county in the CBSA when these oftentimes do not adequately represent a community. The population limit is not an FCUA requirement. It serves to discriminate in favor of community credit unions in areas with large SPJs even though a CBSA or CSA can better represent a community.

Recommendation: This requirement is unnecessary. It would make all CBSAs with populations that exceed 2.5 million useless for the purpose of being used as a WDLC for a community chartered credit union. A credit union electing to serve its community should not be hampered or restricted in doing so by an arbitrary number of people that populate the area.

3. Use of Combined Statistical Area – Would include Combined Statistical Areas in the definition of a WDLC. NCUA’s current regulation does not allow a credit union to use a Combined Statistical Area (CSA) for a WDLC, regardless of population.

A CSA is defined by the Census Bureau as consisting of two or more adjacent CBSAs that have substantial employment interchange. The CBSAs that combine to create a CSA retain separate identities within the larger CSA. A CSA goes beyond the concept of a CBSA and yet is constituted by a combination of CBSAs. Additionally the Census Bureau requirement for substantial employment interchange further substantiates commonality.

An example of a CSA is the Washington-Baltimore-Arlington, DC-MD-VA-WV-PA Combined Statistical Area as defined by the Office of Management and Budget (OMB). This area is comprised of two MSAs and some smaller urban areas with strong community ties. There are strong community ties throughout the areas that are not adequately captured by one of the CBSAs.

More especially to the District of Columbia, is the Washington Council of Governments. The Metropolitan Washington Council of Governments (COG) brings area leaders together to address major regional issues in the District of Columbia, suburban Maryland and Northern Virginia. COG’s membership is comprised of 300 elected officials from 22 local governments, the Maryland and Virginia state legislatures, and U.S. Congress.

Recommendation: Police FCU strongly supports the NCUA’s proposal to allow CSAs to be used as a WDLC. CSAs are comprised of statistical areas with close community ties and would naturally represent a WDLC far better than CBSA.

4. Congressional District - Allows a Congressional district to be used as a WDLC. In states with multiple Congressional districts, a credit union would be allowed to serve a district and the same area if the district boundaries were changed. A Congressional district inherently defines a community with shared interests. Congressional districts are contiguous in land area, contain smaller populations than many SPJs, are less than the 2.5 million population currently allowed for a CBSA, and are the ultimate “political” jurisdiction.

Recommendation: Police FCU supports the NCUA's proposed use of a Congressional district as a WDLC.

5. Addition of an Area Adjacent to a WDLC – This proposed change would allow a credit union to serve a contiguous area outside of a CBSA, CSA, SPJ or rural district if that area is within the WDLC. NCUA proposes a very strict test to meet this standard.

Recommendation: Police FCU supports with reservations this provision as it will permit credit unions to expand into communities that don't fall within a WDLC or rural district. In the absence of a more definitive understanding of the proposed testing process, it is difficult to categorically support this initiative. Police FCU is concerned that NCUA may impose policy or process hurdles that make this provision less flexible. NCUA states "the more expansive the adjacent area, theoretically even surrounding the original community's entire perimeter, the more challenging and burdensome it may be for a credit union to, first, subjectively demonstrate a sufficient totality of indicia of interaction or common interests among residents of the expanded community, and then to establish through the credit union's business and marketing plans its ability and commitment to serve the entire expanded community." Before we can fully support this initiative, the NCUA will need to be transparent by providing more information on the standards and process a community credit union must follow when trying to add areas using this provision.

6. Rural District Population Limits – Increases the current limit of the population that rural district charters can serve from 250,000 to 1 million.

Recommendation: The current population restriction unduly limits a credit union access. The only limitation should be the credit union's ability to serve the rural district. Additionally, with the realities of internet banking, a credit union with an acceptable level of e-commerce capability should be authorized to provide membership to people living in rural areas of the country. Today Police FCU sufficiently serves law enforcement entities well beyond our main offices due largely to the convenience of e-commerce.

7. Inclusion of Select Employee Group (SEG) Contractors in a Multiple Common Bond and Inclusion of Office or Industrial Park Tenants in A Multiple Common Bond - Would allow multiple common bond credit unions to include as a Select Employee Group the employees of a park's tenants in the FOM within certain limitations.

Recommendation: Police FCU supports this change with reservations. The proposed change may be especially helpful for credit unions in the Washington, D.C area serving federal, state and local government agency specific entities by permitting greater flexibility in serving those members closely associated with a core government agency/entity. But, how will NCUA define "strong dependency relationship" is far too subjective. Is it dollars? Is it a percentage of the core business? NCUA will need to be more transparent by providing specific details on the standards and process it will follow when applying this to a request before we can fully support this change. (see note below under TIP)

8. Reasonable Proximity through Members' Online Access to Services – Would allow for modern technology to be utilized in determining whether "Service Facility" is present for purposes of

demonstrating reasonable proximity to a group.

Recommendation: Police FCU supports the expansion of the definition of “Service Facility” to demonstrate reasonable proximity to a group.

9. Trade, Industry or Profession (TIP) As a Single Common Bond – This provision expands the definition of a TIP charter to include employees of entities that have a strong dependency relationship with (and whose employees work directly with employees of) other entities within the same industry.

Recommendation: Police FCU will support this provision with reservation as it will allow a number of TIP charter credit unions to serve those vendors, contractors, or other groups closely associated with a particular Trade or Industry, even though the group might not technically fall under the express category of the TIP charter. But, the use of terms such as “employees” and “strong dependency relationship” is far too subjective. Is it dollars? Is it a percentage of the core business? NCUA will need to provide specific details on the standards and process it will follow when applying this to a request before we can fully support this change.

For example, NCUA denied a request by Police FCU to include the Fraternal Order of Police to its FOM because among the three levels of membership is an “associate membership” which would not support the exclusivity requirement that the associate member be engaged in law enforcement. More specifically, it was suggested we withdraw the request to preclude a denial because an “associate” member may not necessarily be a police officer. It turns out that much less than one-percent of the FOP membership is classified as an associate member. NCUA should take this occasion to modify the TIP rules to include language that expands the definition of employees by adding “members” of an entity whose membership is strongly dependent on a relationship within the same industry. Once again, defining this dependency can be a majority of the members, super majority, etc. To deny an entity access because less than 1-percent of its membership may not otherwise be eligible appears rather overly burdensome.

Other Issues of Concern and Importance

1. Other Persons Eligible for Credit Union Membership - Would include those who have been honorably discharged as a veteran of any branch of the U.S. Armed Forces to be included in the affinity groups and include them within its common bond.

Recommendation: Police FCU supports honoring the service of the Veterans of the United States Armed Forces. Service to country in the military armed services is a mantle carried for life.

2. Streamlined Determination of Stand-Alone Feasibility of Groups Greater than 3,000 – This provides a faster process for those groups between 3001 and 5000 to add them to a field of membership.

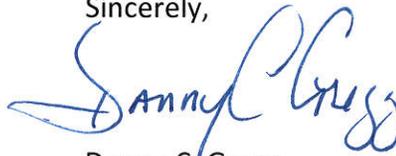
Recommendation: Police FCU can support this provision that will facilitate the addition of groups that fall within the 3001-5000 member range. However, if the NCUA determines a number must be

assigned, Police FCU would recommend that the group number be raised considerably higher, if not all together eliminated. Over the next decade and beyond financial markets will continue to face a proliferation of consolidations and mergers so to place an arbitrary number on a group that seeks out the services of any a institution is rather burdensome and **counterintuitive** to the proposition of people helping people.

Conclusion

Police FCU fully supports the NCUA's efforts to modernize the rules governing FOM and we hope our comments will be helpful in this endeavor. Thank you for the opportunity to comment on the proposed rule.

Sincerely,



Danny C. Gregg
President & CEO

Enclosure (1)



Jerrard F. Young District of Columbia Lodge #1 / Fraternal Order of Police

Joining FOP Lodge #1

Those in law enforcement share a bond that few outsiders could comprehend. As a fraternal organization comprised of individuals actively engaged in law enforcement, we understand. Quoting the mission statement from our Grand Lodge, "We are committed to improving the working conditions of law enforcement officers and the safety of those we serve through education, legislation, information, community involvement, and employee representation."

The strength of the Fraternal Order of Police is derived from its membership. Our Lodge, which boasts approximately 11,000 active and associate members, has the distinction of being the third largest FOP Lodge in the United States. Regardless of your rank or title, if you are a law enforcement professional or a supporter of the law enforcement community in Washington, DC, we would like to extend a fraternal invitation for you to join our organization as an active or associate member.

Three Levels of Membership

- **Active:** In order to qualify as an active member you must be a full time, sworn law enforcement officer or agent whose headquarters is located within the District of Columbia. The term "full time" means you are engaged in such employment as your principal source of livelihood.
- ✓ • **Associate:** Associate members are supporters of the law enforcement community who are sponsored by an active member. Associate members are not eligible to vote or hold office in the Lodge.
- **Honorary:** Honorary members are defined as those individuals who have been recognized by the Board of Directors as giving of their time and resources to the Lodge. The President has the discretion of recommending honorary members to the Board of Directors for approval. Honorary members are not eligible to vote or hold office in the Lodge.

In addition, the Fraternal Order of Police Auxiliary is an ancillary organization of law enforcement officers. The Auxiliary is the only national support organization of its kind. [Read more about the FOP Lodge #1 Police Auxiliary.](#)

Fraternal Order of Police

Jerrard F. Young District of Columbia Lodge #1, 711 4th Street, NW, Washington, DC 20001
Phone: 202-408-7767, Fax: 202-408-1680

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How to Join

Persons interested in joining the District of Columbia FOP may call the Lodge at 202-408-7767 and request a membership application to be sent via mail or simply [download a PDF application.](#)

If you have any questions, please contact our Membership committee at [membership@dc-fop.org](#).

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