



Gary A. Grinnell, President and Chief Executive Officer

June 23, 2014

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

Re: Comments on Proposed Rule: Chartering and Field of Membership Manual

Dear Mr. Poliquin:

On behalf of the Board and management of Corning Federal Credit Union, I would like to take this opportunity to comment on the NCUA's Proposed Amendments to the associational common bond provisions of the chartering and field of membership rules (12 CFR Part 701). As explained below, we support certain aspects of the proposed regulation and disagree with others.

By way of background, Corning Federal Credit Union is a \$1.084 billion asset institution, serving over 88,000 members. Our charter is multiple common bond, and as such we currently have a number of associations within our field of membership. These viable and well-established associations are an important segment of our field of membership. Our relationship with these organizations helps us to grow and diversify our membership. The use of associations has long been an important part of credit union membership growth strategy, fitting well with the movement's mission of offering outstanding, cost-effective financial services to members who share a well-defined common bond whether through common employment, geographic location, or shared membership and belief in the mission of an associational group.

We applaud the NCUA for proposing changes to the existing chartering and field of membership manual as it is in need of revision. Specifically, the proposed automatic approval provision is a welcome change, and one that could help streamline the approval process going forward. We agree with the groups that NCUA has proposed for automatic approval: religious organizations including churches, homeowner associations, scouting groups, electric cooperatives, and labor unions. We also support the proposed automatic approval of "associations that have a mission based on preserving or furthering the culture of a particular national or ethnic origin." In addition to these specific groups cited for automatic approval, we would recommend the addition of a few select others to the list: farm cooperatives, groups formed for support of school-based or community-based sports teams and extra-curricular club activities, fraternal associations, and social clubs. As with the organizations specifically cited for automatic approval in the NCUA's proposal, we believe these types of groups feature strong common bonds, well-defined membership requirements, as well as shared and active participation in group activities that further the goals and purposes of the association.

Beyond the changes discussed above and with respect to the other aspects of the proposed rule, it is our opinion that the heightened emphasis and increased focus placed on associational groups are misplaced. In our view, the agency's resources and efforts can be better served elsewhere in the industry where

risks to the NCUSIF are higher and more immediate. For example, in reading the text and justification for the new rule, it is apparent that the NCUA is reinforcing and reaffirming its antiquated interpretation of “reasonable proximity” of a proposed association with respect to being within 25 miles of the credit union’s service facilities. Simply stated, NCUA’s current interpretation of “reasonable proximity” is outdated and arcane. Given the electronic and digital age we now live and the agency’s recent focus on regulatory modernization, the time is right for the NCUA to consider revising or expanding its interpretation of “reasonable proximity,” which was first broached in the 1934 Credit Union Act, during a time when most consumer banking took place in a physical branch and the public had fewer and slower transportation options available to them. Today’s credit unions are able to serve members through wide-ranging and remote service channels, including ATMs, online banking, mobile banking, shared service centers, indirect financing partnerships, credit and debit cards, video teller terminals, and 24-hour call centers. The need for a branch within a short driving distance is less now than it has ever been before, as only a fraction of total member transactions now take place in a branch. It is simply unreasonable to suggest that a member of an association cannot be well-served (or even better-served) by a credit union with a physical location more than 25 miles away.

It would seem from the NCUA’s recent actions that it understands this trend. Recently it was announced that the NCUA has provided preliminary approval to a proposed field of membership for a new cooperative, Players Choice Federal Credit Union. This credit union will have a multiple common bond that may potentially include any professional and amateur sports organization in the country. It is our understanding that Players Choice intends to serve these members primarily through the offering of electronic services. This is only one example of a credit union with a wide and geographically diverse field of membership, as NCUA has taken a welcome and progressive approach toward approving new charters for credit unions that can serve members with a strong common bond, despite their geographic disparity. If a newly chartered credit union with no physical branches can be approved to serve members nationwide, we are hard pressed to find a reason why a well established safe and sound credit union with a documented history of serving its members cannot be authorized to serve an association outside a 25 mile radius.

While we recognize that the requirement that SEG groups to be served be within “reasonable proximity” of the credit union is a statutory mandate, we believe NCUA’s interpretation and implementation of a 25-mile reasonable proximity standard is overly restrictive, fails to recognize advances in the delivery of financial products and services through electronic and digital means, and is an example of a “one-size fits all” approach that requires a recalibration of thinking and added flexibility based upon a credit union’s unique circumstances.

To speak to personal experience, at Corning FCU we have often been confronted by this arbitrary standard when requesting to add both associational and select employee groups into our field of membership. Considering that Corning FCU is headquartered in a lightly populated, rural area in the Southern Tier of New York State, a 25-mile drive for one of our members is very different than what a credit union member would confront in travelling to their nearest branch in an urban location such as New York City or Washington, D.C. In fact, in many cases it can take less time for one of our members to travel 50 miles to a branch than it would for an urban member to travel 25 miles. Additionally, residents in our region of the state have many fewer options for financial services than those who live in more densely populated regions where there is a bank or credit union on every corner.

There are some small hamlets in our region that do not have the benefit of a single credit union branch. Given that the credit union mission is to serve the underserved, this reinforces the need for greater flexibility on the question of geographic proximity.

Compounding this challenge is the fact that we have noticed over the past two years a confounding decline in service standards when it comes to getting our SEG and associational group requests to be approved. If the request fits into the tight and arbitrary definition of conformity that NCUA has established, the request will generally receive automatic approval through the website. However, if there is any deviation from this standard (greater than 25 miles from the nearest branch or any associational group), or occasionally for random “quality control,” the request will be placed into a queue and pended for review. Whereas in the past we would receive a response from our Regional offices within just a few days, now it takes upwards of a month or more to receive a response, and even then only after several email or phone inquiries from our staff and often to request additional information that we had already provided with the initial request. This is frustrating to our (potential) members who are waiting to join the credit union and far outside the member service standard that we have worked hard over the course of decades to establish. This notable decline in service has occurred since the consolidation of field of membership expansion approvals under the NCUA’s Office of Consumer Protection.

Another area of the proposed rule that we feel should be reconsidered is the new threshold requirement before the “totality of circumstances” test is applied. The NCUA proposes establishing a requirement that the association must have been operating independently of the requesting credit union for at least one year prior to the request to be added into the credit union’s field of membership. We feel that this one-year threshold is arbitrary, and the NCUA does not, in its proposal provide any basis for this minimum time threshold. What does it matter if the association has been in existence for eighteen months or eight months? The critical factors, in our mind, are that the association has been legally established and that it is operating in accordance with its bylaws, mission, and stated reason for being. Particularly coupled with the NCUA’s proposed expansion of the “totality of circumstances” test, the threshold test seems particularly arbitrary, overly restrictive, and unnecessary in our view.

In all, given the myriad of other issues and concerns that the NCUA and the credit union industry as a whole are faced with at this time in their history, we are baffled that the Administration has chosen this time to release a new rule that if adopted in its current form will only add further regulatory burden in this particular area. Although some of the recommendations in this proposal are sound and worthy, it would seem that they are better suited to presentment as examination guidance, rather than in the format of a full-fledged new rule. At a time when the credit union movement is growing and gaining new life as a cost-effective, service-focused and consumer-friendly alternative to the big banks, we question why our regulator would choose to place further obstacles and barriers to entry in the way of allowing more members of the public to join their credit union of choice.

In summary, we support some aspects of the proposed rule and strenuously disagree with some others. We support the proposed addition of certain associational categories to be granted automatic approval and recommend several other types to be added to that list. We encourage the NCUA to consider updating its interpretation of “reasonable proximity” to bring it more in line with what the original statute intended, recognizing the tectonic changes that the industry has experienced in the past 80

years. Lastly, we disagree strongly with the arbitrary approach that NCUA has taken with regard to the new threshold requirement for determining associational group eligibility.

We thank you for the opportunity to comment on this important proposal.

Very truly yours,

A handwritten signature in black ink, appearing to read "Gary Grinnell". The signature is written in a cursive style with a horizontal line extending from the end.

Gary Grinnell
President and Chief Executive Officer

cc: The Honorable Deborah Matz, Chairman
The Honorable Michael Fryzel, Board Member
The Honorable Rick Metsger, Board Member