



June 27, 2014

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

RE: Proposed Rule on Associational Common Bonds

Dear Mr. Poliquin:

On behalf of Randolph-Brooks Federal Credit Union (RBFCU), this letter is being submitted in response to the NCUA's proposed amendments to the associational common bond provisions of the chartering and field of membership rules (12 CFR Part 701). We agree with some portions of the proposed amendments and disagree with others.

#### Automatic Qualification of Associations

We are in agreement with the proposal to make some organizations' access to credit union membership easier to obtain. Making the process of Select Group qualification more automated will benefit credit unions, potential Select Groups and the NCUA, by reducing the time, effort and paperwork spent on processing a multitude of very similar requests. We believe that credit unions and communities could benefit from including other groups that share the credit union industry goal of people helping people. These groups could include organizations such as other cooperatives, as their mission is in line with the credit union industry's mission. Allowing credit union membership is beneficial to both sides, and satisfies the common bond requirement.

We agree with the decision to automatically qualify organizations such as labor unions, scouting groups, electric cooperatives, homeowners' associations, religious organizations, alumni associations and consumer groups, and we would also recommend expanding this list to include organizations such as Rotary Clubs, chambers of commerce and other civic organizations, industry groups and military-affiliated organizations. Members of these groups consistently participate in activities developing common loyalties, mutual benefits, and mutual interests to further the goals and purposes of the association. In addition, RBFCU has time-tested relationships with many of these types of groups, and making credit union resources more easily accessible and quickly available would enhance the ability to provide financial institution resources to those who belong to these groups.

Austin  
512-833-3300

San Antonio  
210-945-3300

Toll-free  
1-800-580-3300

[rbfcu.org](http://rbfcu.org)

P.O. Box 2097, Universal City, Texas 78148-2097



### Grandfathering in Associations

We appreciate NCUA's intent to grandfather already existing members of qualified associations, but are concerned that the portion of the rule that would allow the removal of a previously allowed association would contradict the Credit Union Membership Access Act of 1998 (CUMAA). CUMAA grandfathered all members and groups within a credit union's field of membership as of August 7, 1998 and allows such existing groups to continue adding new members. The intent was that once a person becomes a member of a credit union, that person should be allowed to remain a member. The grandfathering provision of CUMAA was enacted to prevent persons and organizations from being forced out of credit unions as a result of the Supreme Court's decision in *National Credit Union Administration v. First National Bank & Trust*. We believe that current associations that have already been reviewed and approved by the NCUA be allowed to stay in place, and that the members who have joined through these avenues be allowed to maintain their credit union membership. These members sought the opportunity to become part of a credit union because of the savings and value credit unions offer, and they should be allowed continued access to these benefits. We respectfully request that all existing NCUA-approved associations and their members be grandfathered, with any new standards to be outlined and presented to credit unions for further review and comment.

### Additional Threshold Requirement

We understand that NCUA is proposing an additional threshold requirement to determine the appropriate formation of an association which would prohibit associations that have been formed primarily for the purpose of expanding credit union membership. Our concern regarding this amendment is that there is currently no published methodology detailing how it will be determined that an organization meets the threshold. The current "totality of circumstances" process already includes a number of steps to ensure the appropriateness of credit union common bond associations with select group members. Additional steps or thresholds will only make the process more cumbersome and difficult for new groups to gain credit union membership. The purpose of introducing new Select Groups into the credit union's field of membership is to allow organizations and their members to benefit from the resources, products and services credit unions provide. Credit unions like RBFCU save members hundreds of dollars every year, based on affordable, high-value products and services. The focus should be on making sure credit union members and potential members have easy access to affordable services and have the freedom to choose the financial services that benefit them.

In addition, we are concerned with the requirement that an organization must have been operating as an organization independent from the requesting credit union for at least one year prior to the request to add the group to the credit union's field of membership. If the NCUA finds that the organization was not formed primarily for the purpose of expanding credit union membership, then presumably the organization has other purposes and interests. It seems over-burdensome to also require that the organization operate completely independent of a credit union for a year. In addition, it's unclear what "independent" means in this situation. We believe it's reasonable for an organization to receive support from a credit union without violating this additional threshold requirement.

Despite our concerns raised above, we would like to indicate our support of the NCUA's decision to allow a credit union to pay a member's associational dues if the member has given consent. We do not see any



reason why paying dues in such a situation would indicate a lack of corporate separateness between the credit union and the association. Simply paying dues to an association does not in any way mean that the association and the credit union are one and the same.

### Geographic Limitations

While the NCUA is reviewing the Chartering Manual for proposed revisions, we would suggest a review of the geographic limitations for credit unions to serve groups within a 25-mile radius. Groups are currently required to be within a credit union's "service area" to be added to its field of membership. Through legal opinion letters and definitions in the Chartering Manual, "service area" has generally been defined as the geographic area in which consumers would reasonably go to obtain financial services, which has resulted in the imposition of a 25-mile radius from branches being used as the service area.

This geographic limitation is no longer realistic in today's digital environment. Even though credit unions like RBFCU have invested heavily in building branch networks to service members, credit unions now have sophisticated online and mobile financial and account management tools to meet member demand. With these avenues of access available to them, consumers who choose RBFCU are able to transact much of their financial business without regard to their physical location.

Texas is, as you know, a vast state, and we have many members and potential members in outlying rural areas. These consumers recognize the value that comes from credit union membership and the opportunities they have to access low-rate loans and low-fee/free products and services. These are opportunities they might not have if limited to choosing a financial institution within a 25-mile radius. As an example, one of our NCUA-approved Select Groups, Pedernales Electric Cooperative (PEC), serves members throughout the Texas Hill Country. While many of PEC's customers have an RBFCU branch near them, it is simply not feasible for the credit union to locate branches throughout the entirety of PEC's 8,100 square mile footprint. However, it is also unfair to prohibit some of PEC's members from the opportunity of credit union membership based on their location within the PEC service area. With the many advances in technology and the resources credit unions have invested, the 25-mile radius rule would be a hindrance to consumer choice and make life more difficult for those who wish to obtain credit union membership. We respectfully request that the NCUA revisit the "service area" requirement limiting services by geographic location.

As detailed above, we agree with some aspects of the proposed rule and disagree with others. We are pleased that certain associations will be automatically qualified and have proposed some additional types of organizations for your consideration. We have some concerns regarding the grandfathering provision and general threshold requirement that we hope you will take into consideration. In addition, we are requesting that the geographic restrictions regarding service area be revisited. Thank you for allowing us to provide you our feedback on these issues.

Sincerely,

Christopher W. O'Connor  
President and Chief Executive Officer