

**Corporate Offices**

 P.O. Box 2231 • Aston, PA 19014-0231  
 877-5-SUNEAST (877-578-6327)  
 Fax: 610-485-1765  
 [www.suneast.org](http://www.suneast.org)

June 27, 2014

Mr. Gerard Poliquin  
Secretary to the NCUA Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314

*RE: RIN: 3133-AE31 Proposed Rule to Amend Associational Common Bond Provisions of NCUA's Chartering and Field of membership Manual*

Dear Mr. Poliquin,

I am writing to you on behalf of the members, staff and Board of Directors of Sun East Federal Credit Union regarding the proposed rule to amend the Associational Common Bond provisions of the NCUA's Chartering and Field of Membership Manual.

The use of associational groups is a vital and a perfectly valid method of building both associational and credit union membership for each of the respective organizations. In fact, they have been used with great success by credit unions across the United States resulting in greater access to affordable financial products and services. The proper addition of an associational affinity group to a credit union's field of membership can be a great asset in terms of membership growth as well as a membership diversification strategy for multiple common bond credit unions.

Greater diversification in a credit union's membership base is important from a safety and soundness perspective. We feel that the reason NCUA has long allowed associations to be part of a credit union's field of membership is likely more than the fact that such associational FOM's are allowed under the Federal Credit Union Act and the Credit Union Membership Access Act. It appears that NCUA has long recognized the value of a diversified membership base for credit unions, and we certainly concur with the agency's position over the years in this regard.



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In keeping with our belief that association relationships with credit unions are a win-win with membership diversification and growth opportunities for both, we have reviewed the recent proposal from the NCUA on the associational common bond. Upon review of the proposed rule changes, we have analyzed the proposal and would like to respectfully submit the following thoughts and recommendations for your consideration:

- **There is no need for another new regulation.**

While it is understood that there have been some isolated instances where associations have been improperly utilized by credit unions and primarily marketed in a non-factual manner by a relatively small number of institutions, we believe that any such situation should remain an issue that is addressed and corrected in that particular credit union's examination findings rather than through the adoption of another formal regulation that seeks to apply a standard essentially designed to address an exception .

In our view, enforcing the regulations currently in place-rather than creating the inflexibility that comes with a newly promulgated regulation that seeks to address every different type of association in this diverse nation today- with the appropriate supervisory oversight would better serve the NCUA, credit unions and associational partners who join with a credit union to become part of their field of membership.

- **“One -Year Threshold Test” should be removed for new associations.**

We support the premise that an association should be independent of the credit union. This can be clearly established through the review of the association's by-laws during the Field of Membership application process, and any subsequent information that may be required for approval. Adding the one-year threshold test as an additional component to the totality of circumstances test on corporate separateness seems somewhat arbitrary and over reactionary, creating an unnecessary burden for the credit union as well as the association. By virtue of the current field of membership application process, an association's eligibility will be determined from the start as well as determining if it meets the totality of circumstances test or not. This should remain the case. Either an association is compliant or it is not. If so, it should become a part of the credit union's field of membership upon approval by the NCUA. If not, it should not be approved by the NCUA until it is compliant.

- **The automatic approval of certain type of associations is a positive step.**

The NCUA is taking a positive step in automatically approving certain categories of associations. In addition to the groups currently recognized as having naturally cooperative structures (i.e. religious organizations including churches, homeowner associations, scouting groups, electric cooperatives and labor unions), adding associations whose mission is based upon preserving or furthering the culture of a particular national or ethnic origin is to be commended. However in the same spirit of naturally cooperative structures, other categories including Parent Teacher Associations (PTA & PTO Groups), fraternal orders, agricultural / farm cooperatives, historical societies, library and museum associations should also be included in our view.

- **With the onslaught of technological delivery channels, the NCUA should revise its interpretation of "Reasonable Proximity".**

With the rapid expansion of and readily available electronic and mobile delivery channels, NCUA's definition of what constitutes reasonable proximity is outdated. Current regulations require that groups and associations must be within reasonable proximity to the credit union, currently defined as a 25 mile radius. This interpretation fails to recognize advances in the delivery of financial services through electronic and digital means. Online, mobile and telephone channels remove barriers to service and provide easy member access to the credit union and in most cases in a much more cost efficient manner than traditional channels. This not only benefits the credit union by creating efficient delivery of services, it can make the credit union as convenient, if not even more so than other financial industry competitors. Providing an exceptional member experience is the end result, wherever the member may be.

NCUA's recent action to charter a brand new credit union to serve professional athletes across the country helps illustrate our point. It is our understanding that the new credit union's business plan does not include a single physical branch! If a newly chartered credit union can serve a nationwide field of membership without a single branch, why should a well-established credit union with the capability of serving members all over the world be required to have a physical location within 25 miles of a SEG that may only have a few members? This current interpretation seems grossly out of step with current realities. While we clearly recognize that a reasonable proximity requirement is statutorily mandated, we believe the agency has considerable latitude in how it defines what constitutes "reasonable proximity" as the statute does not do so.

In conclusion, associational groups have been and continue to be a viable field of membership growth opportunity. Instead of stifling their growth and acceptance through additional regulation, it is our opinion the NCUA should be fostering their acceptance and proper use through field of membership regulations that already exist. No new regulations are needed to do so. In addition to the steps being taken to increase the categories that are eligible for automatic approval, certain other categories can also be considered as they meet the "naturally cooperative structure" as well. Lastly, it is time for the NCUA to re-examine its definition of "reasonable proximity" to recognize the realities of a highly mobile society who utilize electronic / digital delivery channels.

Thank you for the opportunity to present these comments and for your consideration of the same.

Sincerely,



Michael J. Kaczynski  
President & CEO

CC: Board of directors  
Supervisory Committee  
Executive Management