

TINKER FEDERAL CREDIT UNION

June 27, 2014

To: Mr. Gerard Poliquin
Secretary, NCUA Board
1775 Duke Street
Alexandria, VA 22314-3428

Re: Comments on Proposal to Amend Associational Common Bond Provisions of the Chartering and Field of Membership Manual

Dear Mr. Poliquin:

Tinker Federal Credit Union (TFCU) appreciates the opportunity to provide comments on the NCUA's proposed rulemaking regarding the associational common bond provisions of the Chartering and Field of Membership (FOM) Manual. TFCU is a multiple common-bond credit union, which includes groups of members related by occupation or association, serving nearly 290,000 members worldwide through its online channels as well as through 28 branches located throughout Oklahoma. Originally chartered to serve civilian and military employees of Tinker Air Force Base (TAFB), TFCU eventually expanded from the single common-bond charter in order to remain financially sound while providing a wider array of products and services and continuing to offer members low loan rates and higher dividend rates. In addition, the expansion of its FOM has allowed TFCU to effectively serve its members who are now located all across the U.S. and even internationally.

Pre-Approved Groups

Section III, A.1.b. of the Chartering and FOM Manual would provide automatic approval for certain organizations including alumni associations, churches, labor unions, scouting groups, electric cooperatives, homeowners associations, and associations that have a mission based on preserving or furthering the culture of a particular national or ethnic origin. TFCU appreciates and welcomes this automatic approval provision and requests that the NCUA consider adding the following civic and professional associations:

- Charter schools;
- Fraternities & Sororities;
- School or community-based sports teams;
- Extra-curricular club activities;
- Professional leadership groups; and
- Spousal support groups

Similar to the associations already identified by the NCUA for automatic approval, these groups are easily defined as having members who share common goals and actively participate in the furtherance of the association's goals.

Threshold Requirement Regarding the Purpose for Which an Associational Group is Formed and the Totality of the Circumstances Criteria

TFCU understands that the NCUA is concerned that some credit unions are forming associations for the primary purpose of gaining access to new members, as expressed in its September 2013 Letter to Federal Credit Unions (13-FCU-03) concerning potential violations of common bond advertising and now in the current proposal concerning associational common bond groups. According to Section III, A.1.a of the proposal, "if the NCUA determines the association has been formed primarily for the purpose of expanding credit union membership," the request will be denied. As written, the NCUA could reject the association without seeking further information. TFCU recommends that the NCUA clarify this threshold requirement by defining the meaning of "formed primarily for the purpose."

If the NCUA determines that the association was formed to serve another separate function as an organization, NCUA will apply the "totality of the circumstances test" to determine if the association satisfies the associational common bond requirements. While the NCUA currently applies such a test when considering associational groups for addition to a credit union's FOM, the proposal expands the test to include a new "corporate separateness" and separately lists several factors the NCUA proposes to use to determine corporate separateness. TFCU agrees with the NCUA that the association must function as a separate business and that accounts should not be intermingled. However, TFCU asks that the NCUA reconsider the provision that each association be financed as a separate entity. Credit unions exist to serve members and associations are made up of such members. Many associations are established for the greater good of the community and may require financial support to get started. It is perhaps more common for credit unions to provide event advertising and/or sponsorships. TFCU questions whether these activities will be considered financial support and respectfully requests clarification. As written, TFCU is concerned that it could be a disincentive to credit unions to continue working in their communities or would disallow associations the benefits of membership in a credit union.

Quality Assurance Reviews

In the preamble to the proposed rulemaking, the NCUA notes that, "to prevent abuses of the membership system, NCUA is currently reviewing the way associational groups are formed and operated" because it has found that certain associational groups, "in conjunction with or at an FCU's instigation, are adding members outside of the FCU's historical operating area to increase FCU membership." The NCUA goes on to opine that such abuse of the membership system is due to the lack of a geographic limitation in the NCUA's chartering policy, a limitation that once existed but that has not been in place for several years. In addition, the NCUA says that certain associations have "changed significantly" since being added to an FCU's FOM and thus no longer meet the "totality of the circumstances test" they once met. Because of these factors the NCUA says it is currently reviewing several associations and may remove some associations from the applicable FCU's FOM if the associations no longer meet the "totality of circumstances" test or are not operating according to their bylaws.

As noted in the section above, TFCU is concerned about the ambiguity of the standard by which the NCUA will determine whether an association meets the "totality of circumstances" requirement and asks the NCUA to provide clarification on the standards it will apply in its review. Additionally, TFCU asks for more details on whether, if an association is removed from an FCU's FOM, there will be an appeals

process by which either the FCU or the association could seek further review, and/or whether the association will be given an opportunity to "cure" the deficiency(ies) that prompted the FOM removal and thereby remain in the FCU's FOM.

Finally, TFCU urges that the NCUA carefully consider how it defines the concept of "geographic limitation" if such concept is in fact an element that may be added back to the chartering policy. As mentioned above, TFCU has active duty military members around the globe and this is common of many credit unions. In addition, there are several airline credit unions with TIP charters that have members worldwide, and there are numerous other such examples. In the time since this concept was removed from the policy, technological advances such as the internet (and, in particular, social media and other forms of online interactive participation) have added significant complexity to notions of "community," "shared goals," and "location" that, in TFCU's opinion, ought to be contemplated in any consideration of associational bonds.

TFCU respectfully requests that the NCUA fully consider the above comments and revise the final associational common bond provisions of the Chartering and FOM Manual accordingly. Please feel free to contact TFCU for clarification or questions.

Sincerely,



Michael D. Kloiber
President/CEO

cc: Suzanne Yashewski
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