

June 30, 2014

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

Re: Associational Common Bond

Dear Mr. Poliquin:

The Pennsylvania Credit Union Association (PCUA) is a state-wide advocacy organization that represents a majority of nearly 500 credit unions located within the Commonwealth of Pennsylvania. PCUA appreciates this opportunity to comment on the National Credit Union Administration's (NCUA) Notice of Proposed Rulemaking that addresses Associational Common Bond and Field of Membership Requirements.

PCUA enlisted the assistance of its Regulatory Review Committee and State Credit Union Advisory Committee (the Committees) to review the Notice of Proposed Rulemaking. The Committee members are the chief executive officers and senior management officials of credit unions representing all peer groups based on asset size. The comments contained in this letter reflect the input of the Committees and PCUA staff.

Overview

Overall, NCUA's proposal to clarify Associational Common Bond and Field of Membership Requirements is pragmatic. We agree with NCUA's statement from Letter to Federal Credit Unions 12-FCU-03 "Upholding the membership standards of every federal credit union charter is essential to maintaining the integrity of the federal credit union system." The rule, in general, solidifies the association common bond and provides guidance to federal credit unions that seek to grow their membership from the association common bond.

Associations formed specifically to expand Fields of Membership

The introduction of the proposed threshold requirement that NCUA will use to determine if an association has been formed primarily for the purpose of expanding credit union membership, provides additional checks and balances to the application process. However, PCUA submits that since this is addressed as a step taken prior to the Totality of Circumstances process, the regulation should provide additional guidance that would articulate the criteria that NCUA will employ when reviewing the application to make the threshold determination.

Totality of Circumstances

PCUA believes the addition of corporate separateness to the Totality of Circumstances test is a prudent rule. It provides a rational process for due diligence in making the determination. The Committees did not reach a consensus on the relevancy of the proposed factors. Some thought the factors were appropriate, while others disagreed. In the final rule, relevant factors should be based on readily available objective criteria that provide evidence of an association. For example, articles of incorporation, bylaws, and state registration documents are universally accepted means of establishing the legal existence of an organization.

PCUA suggests clarity in regards to grandfathering. The proposal states that qualified associations already within the Credit Unions' FOM will be grandfathered and not subjected to the corporate separateness criteria. The proposal

also states that NCUA will grandfather in existing members from all qualified associations currently part of an FCU's membership. NCUA will consider if there are any associations in an FCU's FOM that need to be removed because they no longer meet the totality of circumstances test on a case-by-case basis. PCUA submits that NCUA clarify the circumstances that would initiate a case-by-case review of a grandfathered member under this rule.

Automatic Approval

PCUA supports and appreciates the addition of associations that can be automatically approved. The proposal garnered positive feedback from the Committees. The commenters are in agreement that the automatic approval of the named associations provides regulatory relief for FCUs as they will no longer be required to obtain and review the association's bylaws, and, for the same reason, will result in more efficient use of their resources.

NCUA expressly requested comment regarding other categories of associations that are not already on the list. The Committees suggested the following entities be considered as additions to the proposed list:

- 501(c)(3) Foundations
- Parent-Teacher Associations
- YMCA
- Rotary Clubs
- Knights of Columbus

Another commenter suggested that the Scouting Groups category could easily be re-classified as Youth Groups to encompass 4H, Future Farmers of America, and similar organizations.

Conclusion

Pennsylvania's credit unions appreciate the NCUA's efforts to provide regulatory relief for credit unions' compliance with Associational Common Bond FOM compliance. The proposed category of associations with automatic approval will greatly reduce the amount of time a credit union will need to invest in due diligence account opening processes.

Sincerely,

PENNSYLVANIA CREDIT UNION ASSOCIATION



Richard T. Wargo, Jr., Esq.
EVP/General Counsel

RTW:llb

cc: P. Conway
Association Board
Regulatory Review Committee
State Credit Union Advisory Committee
M. Dunn