



**VIA E-MAIL TRANSMISSION**  
[regcomments@ncua.gov](mailto:regcomments@ncua.gov)

January 23, 2014

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

***Re: Notice of Proposed Rulemaking for Part 701  
Requirements for Contacts with Federal Credit Unions.***

***RIN 3133 – AE34***

Dear Mr. Poliquin:

The Illinois Credit Union League represents over 300 credit unions in Illinois. In 2011, the Illinois Credit Union League (the “League”) created a Small Credit Union Advisory Group, consisting of small asset size credit union officials and League representatives committed to securing the strength and vitality of the small credit union movement. With its enhanced focus on small credit union perseverance, the League is pleased to comment on the NCUA’s Notice of Proposed Rulemaking on requirements for contact between NCUA examination staff and federal credit unions (the “Proposal”). The intent of the Proposal, citing examiner safety, credit union growth and prevention of operational risk are important factors in NCUA’s role of ensuring the safety and soundness of the credit unions it regulates. However, the specific conditions set forth in the Proposal could result in extreme financial distress and even the forced merger of many federal credit unions not equipped to comply with such requirements.

We agree with the provision in the proposed rule that would mandate a federal credit union (“FCU”) maintain at least one method for members and NCUA staff to contact the credit union. For members, NCUA and others, it is imperative that a FCU ensure access to the credit union by providing a reliable and consistent communication method. Without a means to dialogue with members and others, the credit union’s ability to remain sustainable in the long term is inhibited.

While we applaud NCUA’s Office of Small Credit Union Initiatives for their efforts in assisting home-based credit unions recognize the potential benefits of relocating, we are concerned about the Proposal’s impact on the long-term viability of those home-based FCUs not financially prepared, equipped or otherwise strategically aiming to relocate.

Our concerns focus on the following issues outlined in the proposed rule: (1) meetings between a FCU and NCUA staff occur at an FCUs commercial offices or public location; (2) NCUA staff visits to private residences, or on the premises of a home address to cease; and (3) all FCUs to obtain a business office, not located on the premise of a private address within two years of the final rule effective date. These requirements are better resolved on an individual basis, and we do not support their promulgation through general rulemaking.

#### Meetings at a FCUs commercial offices or public location

Encouraging NCUA staff to meet with FCU officials of home-based FCUs in public places is a suitable directive; however, we are concerned that NCUA is not considering other concerns. While NCUA is correct in its position that a public setting is not likely to include problematic safety concerns, a public setting does invite increased risks of unauthorized disclosure of sensitive information. NCUA should consider working individually with the small number of home-based credit unions remaining to achieve the general goals of the Proposal instead of issuing a blanket edict that could cause irreparable harm to a number of credit unions.

#### NCUA staff visits to private residences or on the premises of a home address to cease.

In the Proposal, NCUA points to concerns, including: aggressive animals; lack of proper seating, lighting and rest room access; interruptions from other residents of the home; exposure to allergens; poorly maintained driveways that pose hazards to examiners' vehicles; and low clearances or dilapidated stairways. We agree that ensuring the safety of NCUA staff is crucial; however, relocating a credit union will not guarantee that the conditions named above will be eliminated. Without question, the current credit union industry includes hundreds of FCUs that are housed in commercial locations that tackle an environment not unlike that described above. As previously discussed, the NCUA could better realize protection of exam staff through individual contact with credit unions instead of proceeding with the Proposal.

The primary goal of the NCUA is to ensure the overall safety and soundness of the credit union system, and in the event a FCU is observed to be operating in a safe and sound manner, the location in which that finding occurs should be irrelevant. The ultimate prohibition on residential based operations is beyond the authoritative scope of the NCUA. Basing the Proposal on anecdotal concerns is a dangerous step by NCUA, creating the proverbial "slippery-slope" towards the exertion of power far beyond implementing the directives of the Federal Credit Union Act. Relying on an argument for the safety and soundness of the credit union industry as a whole is, to a great extent, a fallacy. The overall insured shares of all the affected credit unions likely amounts to only a fraction of a percent of all shares insured by the NCUSIF, and the NCUA fails to account for the fact that many of these home based credit unions serve poor and underserved communities. We fail to see the negative impact to the credit union system as a whole should this Proposal not be implemented, and in fact, envision a larger reputational concern should it become final.

FCUs to obtain a business office, not located on the premise of a private address

As advocates for small credit unions, we are troubled with a rule that would undoubtedly lead to forced mergers or liquidations. Specifically, we are concerned for the 81 home-based FCUs identified by NCUA, facing a mandate to move from a home-based office to a commercial property, as this would significantly add to the financial burdens they already face as small asset size credit unions.

The Proposal states that the lack of a business office impedes the ability of FCUs to thrive and grow. The League is concerned that this statement is unfairly broad and does not adequately describe or account for home-based FCUs that are indeed thriving, effectively serving their members and operating within their intended business plans. It is noted the Proposal intends to ensure that all FCUs operate in a manner consistent with modern-day expectations. With this in mind, we see the potential for significant adverse consequences that may result in the case of FCUs operating exclusively in a virtual environment without regard for the niche markets served by many small credit unions.

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The Illinois Credit Union League appreciates the opportunity to respond to the NCUA's proposed rule on contact requirements for federal credit unions. Ultimately, the small credit union industry will conduct a cost-benefit analysis and, as currently drafted, the Proposal will fail strike the appropriate balance between its stated goals and the unintended consequences it creates. We are resolute in our position that home-based FCUs are vital to the financial well-being of the members they serve, and a fundamental segment of the entire credit union community. For the reasons stated above, we believe the Proposal should not become a final rule and the NCUA should work with small, home-based credit unions on an individual basis to create a safe, efficient and satisfactory environment to conduct examinations and credit union operations. We will be happy to respond to any questions regarding these comments.

Very truly yours,

ILLINOIS CREDIT UNION LEAGUE



By: Joni Senkpeil  
Director of Small Credit Union Development