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

Submitted via Federal eRulemaking Portal: www.regulations.gov

RE: Comment letter for proposed Field of Membership amendments to the Chartering and Field of Membership Manual, 12 CFR Part 701; RIN 3133-AE31

Dear Mr. Poliquin:

Please accept this correspondence as commentary concerning the National Credit Union Administration's (NCUA's) recently issued proposal to amend the field of membership (FOM) implementation rules and requirements in the Chartering and Field of Membership Manual (Part 701, Appendix B). The Minnesota Credit Union Network (MnCUN) appreciates the opportunity to comment on this proposal. By way of background, MnCUN represents the interests of Minnesota's 123 credit unions and their more than 1.6 million members.

MnCUN commends the NCUA for its commitment to modernize and provide greater flexibility to the rules in this area, and is generally supportive of the proposed amendments. Such changes undoubtedly will provide federal credit unions with greater flexibility to serve those with whom they already share a common bond. An overhaul of the implementing rules in the Chartering and Field of Membership Manual is a welcomed evolution that strengthens the dual chartering system.

MnCUN is very supportive of the overall proposal, including the following:

- Allowing a community chartered credit union to elect to serve a community consisting of a well-defined portion of a Core Based Statistical Area (CBSA), eliminating the current requirement to include service to the CBSA's "core area";
- Inclusion of a combined statistical area in the definition of a well-defined local community (WDLC);
- Allowing a credit union to serve a contiguous area outside of a CBSA, combined statistical area, or single political jurisdiction or rural district if that area is within the WDLC;

- Recognition of an individual Congressional district as a WDLC without regard to population cap, which inherently defines a community with shared interests;
- Exclusion of non-depository institutions and non-community credit unions when calculating the concentration of facilities ratio, and further considering a federal credit union's own reasonable analysis as an alternative method to demonstrate an underserved area;
- Acknowledging the reach of modern technology by modifying the definition of "service facility" for multiple common bond credit unions to include a transactional website or mobile platform as appropriate to meet the "reasonable proximity" statutory requirement;
- Eliminating the distinction between a single common bond and multiple common bond credit unions, by proposing to extend to multiple common bond credit unions the ability to add persons who work regularly for an entity that is under contract to any of the multiple Select Employee Groups (SEGs);
- Permitting a multiple common bond credit union to include in its FOM the employees of an industrial park's tenants;
- Inclusion of those who have been honorably discharged as a veteran of any branch of the U.S. Armed Forces to be included in that branch's affinity group if listed as a group in the credit union's charter;
- Expanding the definition of a Trade, Industry or Profession (TIP) charter to include employees of entities that have a strong dependency relationship with other entities within the same industry.

We applaud NCUA for its efforts in expanding field of membership flexibility for federal credit unions, and we would offer the following additional comments and recommendations for consideration.

Population limit as applied to a well-defined portion of a CBSA

The proposed update to allow for a portion of a CBSA to qualify as a well-defined local community, with the continued population cap of 2.5 million people is a vast improvement over the current rule. However, a credit union should be granted the opportunity to provide service to a specific segment of, or a CBSA in its entirety, or even contiguous CBSAs, if it can effectively show its ability and commitment to serve such a community in its entirety through demonstrated reach, size and equity without regard to population. This approach continues to defer to NCUA's subjective final determination for initial expansion, as well as its continued review of business and marketing plans measuring service efficacy over the subsequent three year period.

A common bond can be demonstrated through a number of different methods which reflect strong economic and social ties – including proven reliance on such commonalities and shared uses of transportation, media, utilities, hospitals, and shopping areas. Historically, many community definitions that have been utilized by government agencies have relied on strong economic and social interdependence outside of strict population density and numbers. If a credit union can demonstrate there are strong community ties throughout an area that naturally represents a

common bond, and in particular, a WDLC, such credit union should be permitted to present its case without regard to artificially placed population caps.

Rural district population limits

The proposed update to the rural district definition, eliminating the 3% state population cap as well as increasing the population limit from 250,000 up to 1 million people, is also a very welcomed and long-awaited change for many of our federal credit unions. The current population cap is too low and has unduly limited consumer access to federal credit unions many rural areas.

However, as stated above, the application of any population cap seems unnecessary. Credit unions will still need to provide proof that they are able to serve these well-defined local communities as demonstrated through its business and marketing plans accompanying any application for expansion. Such demonstration can be made through reflecting contiguous or adjacent communities that share strong economic and social ties.

Streamlined determination of stand-alone feasibility of groups greater than 3,000

The Federal Credit Union Act (FCUA) currently provides flexibility for NCUA to determine whether a group in excess of 3,000 potential members could not viably establish a new single common bond federal credit union. As a result, NCUA currently provides a streamlined application process for those federal credit unions seeking to add a group with fewer than 3,000 potential members, and is proposing to add an additional level of streamlined processing for a group between 3,000 and 4,999 potential members who would be unable to form its own single common bond credit union. While an applauded progression, numbers based on potential members is an artificial measure.

Philosophically, NCUA should consider additional alternative measurements to viability other than the pool of potential members alone. In the current economy and regulatory climate, the challenges faced by the average group to start a new credit union, under any number of potential members, are many. Starting out without any capital support is an enormous challenge, in addition to meeting regulatory compliance burdens and the challenges generally with doing business in the financial industry, NCUA should consider both an increase to the number of potential members in a given feasibility group as well as the addition of alternative methods to determine viability.

To that end, we would support an expedited, streamlined process for adding a group to a federal credit union FOM much greater than 5,000 that is unable to form its own single common bond credit union, so long as the other base criteria can reasonably be met and documented.

Final thoughts

NCUA reflected in the proposed rule that its purpose in the proposal was, first, to ease any undue burdens and restrictions on an FCU's ability to provide services to consumers who are eligible for FCU membership, and in particular those of modest means who are currently not credit union members. The population caps contained in the proposal - whether it is applied to a CBSA or a well-defined portion thereof, a CSA, or a rural district – are undue restrictions that continue to hamper an FCU's ability to provide services in certain areas that otherwise share a common bond.

The Credit Union Membership Access Act of 1998 began the common bond evolution that specifically provided that well-defined local communities could be served by community chartered credit unions. The 2.5 million population cap is not required by statute, and was not included in either the 1999 or 2003 field of membership rule amendments. Without a statutory or historical basis for such a population cap, the number is arbitrary and without basis.

As previously mentioned, a population of an area is completely unrelated in most instances as to whether an area defines itself as a community. Generally eliminating the population caps does not threaten the stability of the common bond system, nor does it otherwise create undue risk for regulatory or insurance purposes. We can glean from the banking industry that population does not matter as banks have no such restriction and have clearly thrived in the marketplace. More importantly, eliminating the population caps in no way affects the core tenant of "common bond", and in fact strengthens the requirement to effectively demonstrate a common bond connection. As made clear throughout the proposal, NCUA will continue to review a federal credit union's ability to serve the requested area through its thorough review of a credit union's business and marketing plans with every FOM expansion request, as well as subsequent periodic reviews.

We would also encourage the NCUA to consider permitting federal credit unions to describe why specific NCUA requirements for any method to determine a community have not completely captured the definition widely recognized in such an area. This method is particularly necessary in instances where a credit union doesn't necessarily fit into the criteria already put into place but has a compelling reason that an expanded FOM is within its community.

Again we would urge NCUA to consider removal of all population caps contained in the proposal. No population limits are imposed by the FCUA, and elimination of the population limitations would make the changes proposed much more effective, and better reflect the modern rationale and philosophy behind the creation of this proposal. Such a change would also be in line with the Board's overall intention that the Chartering and FOM Manual reflect contemporary practice and meet the Board's secondary goal to enhance the menu of strategic options for FOM expansions.

It should not go unsaid that we applaud the NCUA for stripping back the current restrictions to reflect the original intentions contemplated by the Federal Credit Union

Act, which strengthens the viability of the credit union industry, promotes safety and soundness, and protects the National Credit Union Share Insurance Fund (NCUSIF).

There have been many critics of the proposed rule from the banking industry in particular, and rumors of lawsuits abound. The Board is encouraged to move forward with these changes and should not be swayed by the negative commentary organized by the banking industry. NCUA has indicated that one of its primary objectives for this proposal is to assist in reaching the millions of Americans who are in need of access to affordable financial services who may not currently be members of a credit union. Such motivation, above all others, should continue to drive the changes proposed.

Thank you for taking into consideration MnCUN's commentary regarding this proposed rule. If you have any questions about our comments, please do not hesitate to contact us at (651) 288-5170.

Sincerely,

John Wendland
Vice President & General Counsel