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February 2, 2016

Gerard S. Poliquin, Secretary of the Board
National Credit Union Administration
Via email: regcomments@ncua.gov

Dear Mr. Poliquin:

Re: Hawaii Credit Union League
Comments on Proposed Rulemaking Regarding Associational Common Bond

Thank you for the opportunity to comment on NCUA's proposed rule on field of membership (FOM). We appreciate the NCUA Board's effort to modernize the FOM rule within the statutory framework of the Federal Credit Union Act of 1934, as amended by the Credit Union Membership Access Act of 1998.

The following comments are submitted from the perspective of credit unions in Hawaii. Headings are based on NCUA's summary comparison of existing FOM rule provisions to 2015 proposed rule. All references to "credit union" herein mean "federal credit union," since there are currently no state-chartered credit unions in Hawaii.

Community Common Bond

1. *"Core Area" Service Requirement.* The state of Hawaii has only two metropolitan statistical areas – Honolulu, which is comprised of the City and County of Honolulu (the entire island of Oahu); and Kahului-Wailuku-Lahaina, which is comprised of the County of Maui (the islands of Maui, Molokai, and Lanai). In addition, the state of Hawaii has two micropolitan statistical areas – Hilo, which is comprised of the County of Hawaii (the entire island of Hawaii); and Kapaa, which is comprised of the County of Kauai (the islands of Kauai and Niihau). Since each of the four core-based statistical areas in the state of Hawaii is a county, and a county or any contiguous portion thereof is already deemed to be a presumptive well-defined local community under NCUA's current field-of-membership rules, this particular provision does not offer a meaningful FOM alternative for credit unions in Hawaii.
2. *Population Limit as Applied to a Well-Defined Portion of a Core-Based Statistical Area.* The total population of the state of Hawaii is 1.4 million people, so this particular provision does not offer a meaningful FOM alternative for credit unions in Hawaii.
3. *Combined Statistical Areas.* There is no combined statistical area for Hawaii, as designated by the Office of Management and Budget. Therefore, this provision does not offer a meaningful FOM alternative for credit unions in Hawaii.
4. *Addition of an Area Adjacent to a Core-Based Statistical Area.* Because core-based statistical areas in the state of Hawaii consist of islands separated by the Pacific Ocean,

there is no possibility of an outside area contiguous to the core-based statistical area, so this provision does not offer a meaningful FOM alternative for credit unions in Hawaii.

5. *Individual Congressional District as a Well-Defined Local Community.* The state of Hawaii has two congressional districts. Congressional District 1 consists of “urban” areas on the island of Oahu. Congressional District 2 consists of “rural” areas on the island of Oahu, plus the islands of Hawaii, Maui, Molokai, Lanai, Kauai, and Niihau. Because the City and County of Honolulu is comprised of the entire island of Oahu, this provision does not offer a meaningful FOM alternative for community credit unions domiciled in Congressional District 1, since the county is larger than the congressional district. However, community credit unions domiciled in Congressional District 2 will definitely benefit if a congressional district is deemed to be a presumptive well-defined local community by NCUA. If this provision is finalized as proposed, the number of community credit unions that would exercise the opportunity to serve all of Congressional District 2 would probably be low due to limited capacity of credit unions in the district.

Rural District Defined

1. *Population Limits.* The state of Hawaii does not have any rural district with population exceeding 250,000 people, so raising the population limit to 1,000,000 does not offer a meaningful FOM alternative for credit unions in Hawaii.
2. *Multi-State Expansion Limit.* Since the state of Hawaii is geographically isolated in the middle of the Pacific Ocean, no state immediately borders Hawaii. Therefore, this provision does not offer a meaningful FOM alternative for credit unions in or outside of Hawaii.

Underserved Areas

1. *Exclusion of Non-Depositor Institutions and Non-Community Credit Unions When Calculating the Concentration of Facilities Ratio.* This provision would make it simpler for multiple common bond credit unions to serve any underserved areas in Hawaii. However, there is a concern such a provision would lower barriers to entry for out-of-state multiple common bond credit unions to expand to Hawaii. We feel the final rule should be amended to limit such expansion only to multiple group credit unions domiciled within the state.
2. *Alternatives to Identify Areas “Underserved by Other Depository Institutions.”* We have no alternative method (beyond the concentration of facilities ratio) to offer at this time.

Multiple Common Bond

1. *Federal Credit Union’s “Reasonable Proximity” through Members’ Online Access to Services.* This provision would allow a transactional website or mobile platform that accepts deposits of member shares, accepts loan applications, and disperses loan proceeds to be considered as a “service facility” for multiple common bond credit unions. If finalized as proposed, this provision would no longer require a multiple common bond credit union to have a physical (branch, shared facility, or ATM) presence in reasonable proximity to any group added to its field of membership. Such a change would significantly reduce operating costs, which could ultimately be returned to members in the form of higher dividend rates on shares, lower interest rates on loans, and lower fees on services.
2. *Inclusion of Select Employee Group Contractors in a Multiple Common Bond.* Allowing contractors with a strong dependency relationship to a select employee group sponsor to be added to a multiple common bond credit union’s FOM makes economic and practical sense.

With the rise in outsourcing and independent contractors, this provision is a welcome change that would help to give multiple common bond credit unions parity with single occupational common bond credit unions.

3. *Inclusion of Office or Industrial Park Tenants in a Multiple Common Bond.* The inclusion of employees of tenants in an industrial park, shopping mall, or office building in a multiple common bond credit union's FOM is a provision that would make it easier for the credit union to serve more people – especially if the credit union has a branch in that industrial park, shopping mall, or office building. Expansion using this provision does not, however, guaranty high membership penetration rates – since the credit union's relationship is with the landlord or managing agent of the industrial park, shopping mall, or office building, and not the tenants themselves. Therefore, the credit union must still work hard to promote membership eligibility to the tenants and their employees.
4. *Streamlined Determination of Stand-Alone Feasibility of Groups Greater Than 3,000.* Although Congress set the statutory threshold of 3,000 potential members for determining whether an occupational or associational group can establish a new credit union, we agree with NCUA that a higher threshold would be more appropriate because it is difficult for a single common bond credit union to survive with only 3,000 potential members. Recently, Hawaii has seen the demise of several single common bond credit unions with potential membership over 3,000 – primarily through mergers with larger credit unions. A streamlined process for determining whether an occupational or associational group between 3,000 and 4,999 potential members is able to form its own credit union is more reasonable.
5. *Other Persons Eligible for Credit Union Membership.* For those credit unions that serve military service members, allowing veterans who have been honorably discharged would be a welcome provision. Such a change would recognize those veterans for service to their country, and help to strengthen the common bond with their former comrades in arms.

Other Items

1. *Inclusion of "Strong Dependency" Vendors and Suppliers in TIP Definition.* We concur with the NCUA provision to include employees of entities that have a strong dependency relationship with other entities in the same industry to the FOM of an occupational common bond credit union serving a trade, industry, or profession. For example, it makes sense for a credit union that serves employees in the airline industry to also serve people who may not be employed by an airline but prepare food for inflight service, clean the aircraft, et al.
2. *Technical Updates.* We have no objection to these various housekeeping changes.

Again, we applaud the NCUA Board for taking this initiative to modernize the FOM rule for federal credit unions. Although many of the provisions would not benefit Hawaii credit unions, those that do will give credit unions opportunities to serve more people than they are allowed to under the existing FOM rule.

Sincerely,



Dennis K. Tanimoto
President