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February 1, 2016

Mr. Gerard S. Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

RE: RIN 3133-AE31

Chartering and Field of Membership Manual

Dear Mr. Poliquin:

On behalf of San Antonio Federal Credit Union (SACU), I am writing in response to the Notice of Proposed Rulemaking- Chartering and Field of Membership Manual (Proposed Chartering Manual).

SACU is supportive of the Board's proposed changes to Proposed Chartering Manual as we believe it will further enable Federal Credit Unions (FCUs) to fulfill both their social and financial missions as set forth by Congress in 1934 (in the original FCU Act) and by Congress in 1998 (in its reaffirmation of original legislation in the Amended FCU Act). We believe the changes proposed in the Proposed Chartering Manual ease unnecessary burdens and restrictions that inhibit FCUs from providing services to consumers who are eligible for FCU membership, particularly those of modest means and those who may not currently be members of a credit union.

We believe these changes are fully within the scope of the authorities granted to NCUA and that, in fact, the agency could have gone further in its proposed changes and still remained well within the law. We also believe that the NCUA, in taking these actions, is taking meaningful steps forward in fulfilling its responsibilities of maximizing credit union access to those who are eligible.

We have the following comments and/or suggestions, indicated following each applicable section of the proposal for your consideration.

Sections II.C.1 and II.C.2. ***Exclusion of Non-Depository Institutions and Non-Community Credit Unions from Concentrations of Facilities Ratio and Alternatives to Identify Areas "Underserved By Other Depository Institutions***

We applaud the exclusion of non-depository institutions and non-community credit unions to the calculation of concentration ratios as part of the underserved area determination as we believe the inclusion of that information misrepresents the extent to which consumers in these areas are being served.

As stated in the proposal, the concentrations of facilities ratio "accounts for the physical presence of depository institutions in a given area, but it does not necessarily evaluate the benefit or quality of services these institutions deliver"[1]. As NCUA has requested alternative methods to consider showing whether a proposed area is underserved, we are presenting a recommendation for further exclusions to the concentration of facilities ratio.

We would argue that even with the exclusion of non-depository institutions and non-community credit unions, there are institutions with a physical presence in these areas whose lending practices are highly focused on middle-to-upper income consumers. We offer as an example analysis we have performed on one of our major markets, San Antonio.

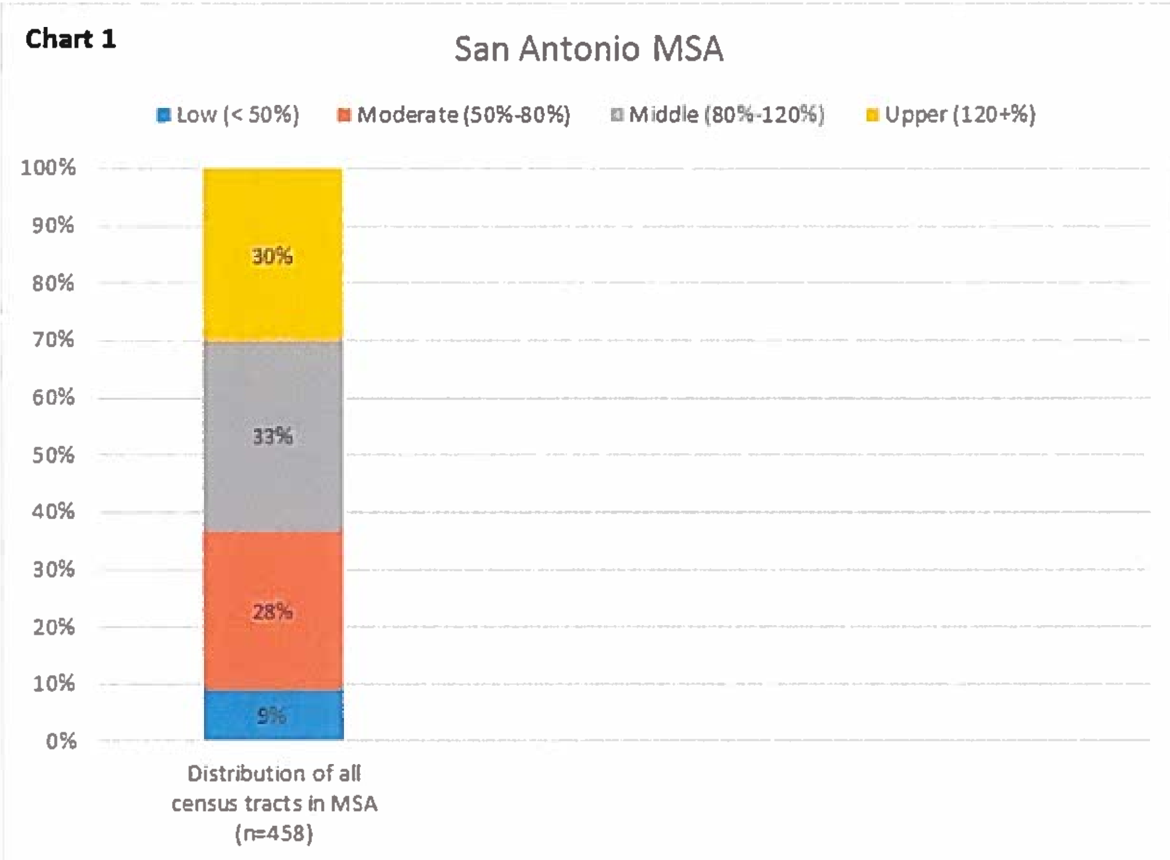
The first part of this analysis included evaluating the income distribution within the San Antonio-New Braunfels Metropolitan Statistical Area (MSA). We gathered data available at the Federal Financial Institution Examination Council (FFIEC) website[2]. Income for each census tract was distributed based on its assigned Tract Income Level. Tract Income Levels are assigned based on the Tract Median Family Income percentage of the MSA Median Family Income.

These census tract income level definitions are:

- Low (less than 50% of MSA Median Family Income)
- Moderate (50% to 80%)
- Middle (80% to 120%)
- Upper (greater than 120%)

According to the FFIEC census tract data, the San Antonio MSA contains 458 distinct census tracts. Of these, 30% are classified as Upper Income while 37% fall into the Low and Moderate Income categories (see Chart 1).

[1] Proposed Chartering and Field of Membership Manual, 12 CFR Part 701, RIN: 3133-AE31, p. 18
[2] http://www.ffiec.gov/census/default.aspx

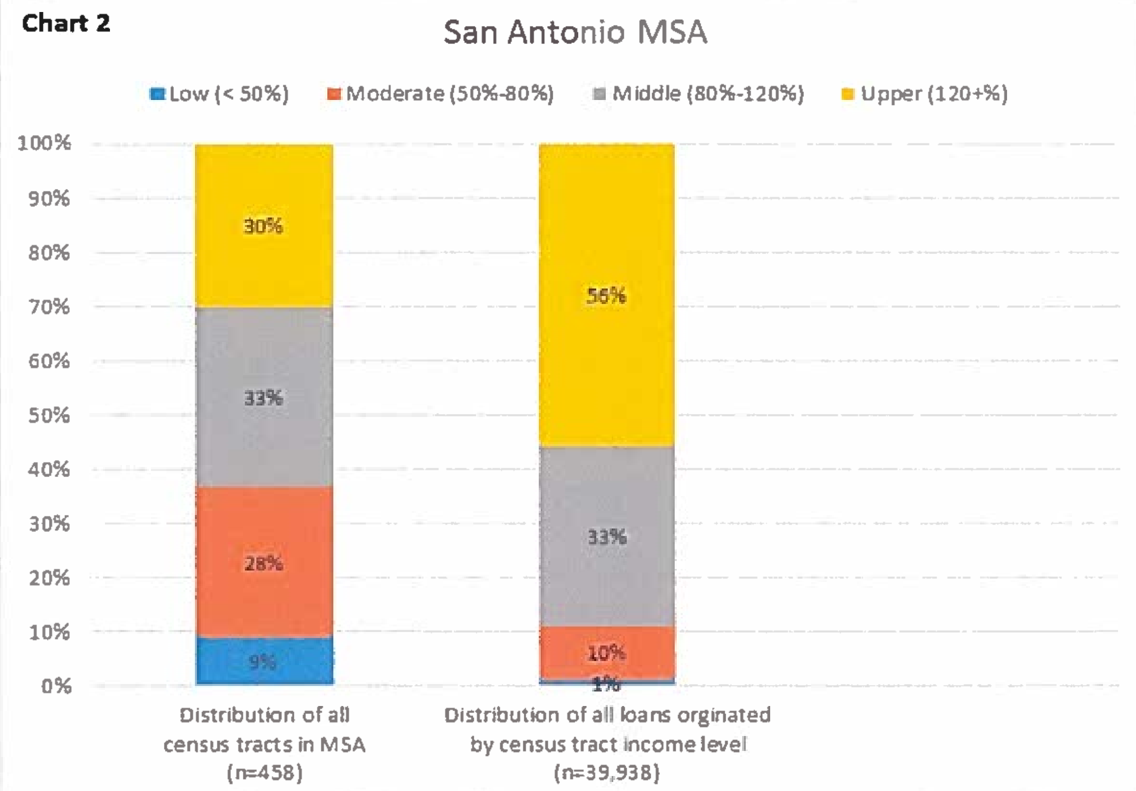


The next part of the analysis consisted of reviewing the Home Mortgage Disclosure Act (HMDA) data for all mortgage loans originated during 2014 in the San Antonio MSA[3]. This data was gathered from the Consumer Financial Protection Bureau (CFPB) website[4]. We then plotted the distribution of these loans – based on the census tract where the loan was originated – in terms of census tract income category. Of the 39,938 loans that were originated, 56% were made in Upper Income areas, while only 11% were made in Low and Moderate Income areas (see Chart 2).

[3] Query parameters for analysis include: Year: 2014 / Metro area: San Antonio, New Braunfels-TX / Property types: One-to-four family dwelling and Manufactured housing / Primary residence: Owner-occupied as principal dwelling / Loan action: Loan originated / Loan purpose: Home purchase, Home improvement and Refinancing / Loan type: Conventional, FHA-insured, VA-guaranteed and FSA/RHS-guaranteed / Lien status: Secured by first lien and Secured by subordinate lien

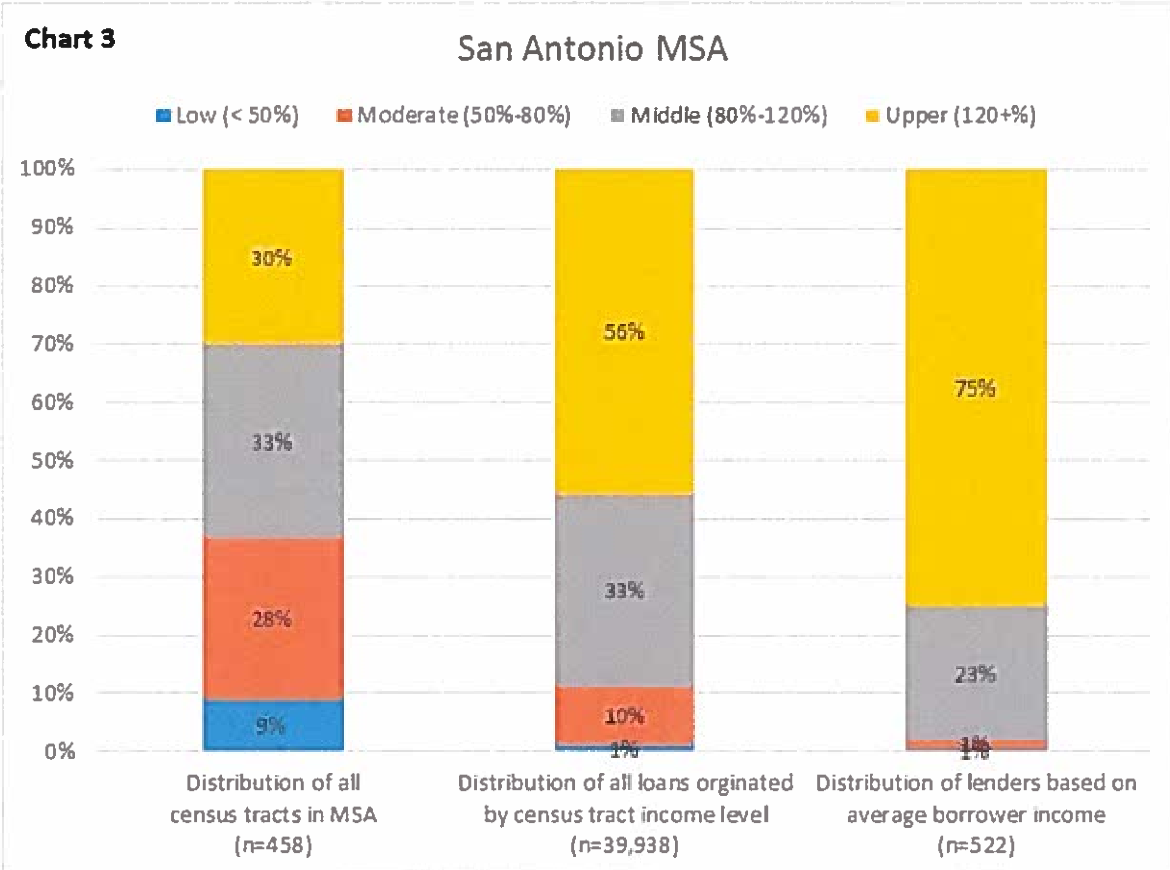
[4] http://www.consumerfinance.gov/hmda/explore

Chart 2



In comparing the income distributions of the borrowers receiving loans to the general population of the San Antonio MSA, there appears to be a rather distinct gap between the Upper and Low/Moderate Income areas. Based on this comparison, there is a disproportionate share of lending activities occurring in the Upper Income areas.

Using the same HMDA data for all 39,938 loans, we then grouped the originated loans by lender. This review indicated that all loans in this analysis were made by 522 separate lenders. We then calculated the average borrower income (based on the census tract where the loan was originated) for each lender. *Because actual borrower income is not available in the HMDA data, borrower income is assumed to be equal to the Tract Median Family Income for the purposes of this analysis.* Of the 522 lenders, 75% had an average borrower income classified as Upper, while only 2% of lenders have average borrower income classified as Low or Moderate (see Chart 3).



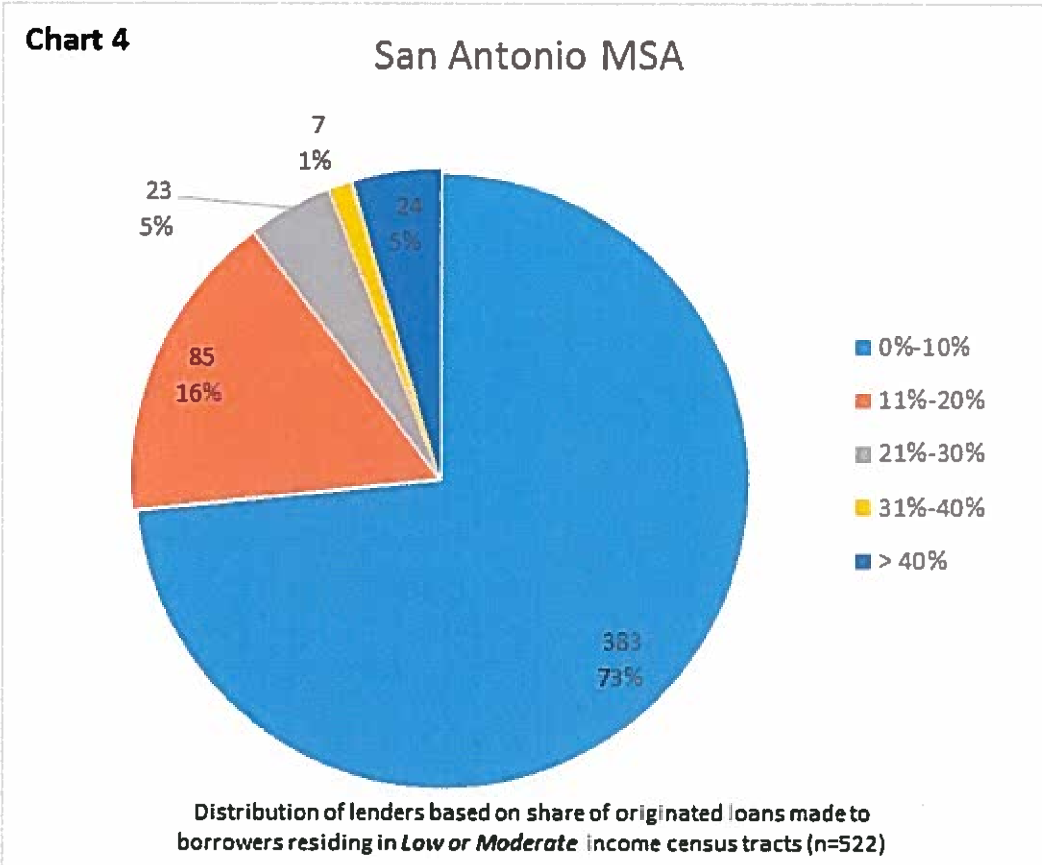
When comparing this analysis of average borrower income for all lenders, it appears that most lenders are concentrating their lending efforts on the Upper Income areas while essentially ignoring the Low and Moderate Income areas.

We then reviewed the individual lender data in terms of distribution of loans to Low and Moderate Income areas. For each lender, we calculated the percentage of loans made in Low and Moderate Income areas. We then grouped the lenders in ranges based on their percentage of loans made in Low and Moderate Income areas.

These ranges are:

- 0% to 10% of total loans made in Low and Moderate Income areas
- 11% to 20%
- 21% to 30%
- 31% to 40%
- Greater than 40%

This analysis revealed that of the 522 lenders, 383 (73%) originated 10% or less of their total loans in Low and Moderate Income areas, while only 54 lenders (11%) originated more than 20% of their loans in Low and Moderate Income areas (see Chart 4).



This analysis clearly indicates that very few lenders are serving the Low and Moderate Income segments in these areas.

Based on the foregoing, we would propose that NCUA consider adding an additional exclusion to the concentration of risk calculation by allowing the removal of any depository institution with facilities in that proposed underserved area if that depository institution's portfolio of lending to people of low or moderate income is at or less than 10%. We propose that this be determined with the following metric:

> *Share of loans originated in Low and Moderate Income areas = ([Number of loans originated in Low Income areas] + [Number of loans originated in Moderate Income areas]) / [Total number of loans originated in all areas]*
>
> *If the result is less than 10%, then the lender should be excluded from the Concentration of Facilities ratio calculation.*

In addition, we recommend that sources of public data available at the state and local government level be utilized to show the large concentration of injurious alternative credit products such as payday lenders, title loans and pawnshop brokers. Thus, this data should be allowed where available to further demonstrate an area is underserved. Furthermore, a review of the City of San Antonio's Payday Lender registrations[5] indicate that a large concentration of such injurious credit providers is a clear indication of high demand which signals the area is underserved.

Section II.D.1. ***Credit Union's "Reasonable Proximity" through Members' Online Access to Services***

We agree with NCUA's proposed revision to the definition of a service facility to include "access to their credit union's product and services through an online internet channel such as a transactional website"[6], as we believe this recognizes the commonplace role of technology in enabling consumers to interact with their financial institution. We also feel that NCUA is right to preserve the requirement that credit unions serving underserved areas must still maintain a physical service facility. Based on our own experience in our underserved areas, we find that the consumers in underserved areas often benefit from person-to-person interactions in understanding and utilizing saving and credit products.

Sections II.D.2, II.D.3, II.D.4 and II.E. ***Inclusion of Select Employee Group Contractors in a Multiple Common Bond, Inclusion of Office/Industrial Park Tenants in a Multiple Common Bond, Streamlined Determination of Stand-Alone Feasibility of Groups Greater than 3,000 and Other Persons Eligible for Credit Union Membership***

We agree with NCUA regarding the proposed changes in Sections II.D.2, II.D.3, II.D.4, and II.E as we believe these changes ease and/or eliminate unnecessary burdens and restrictions on FCUs.

In Summary

SACU appreciates the opportunity to comment on this proposed legislation. As a multiple common bond federal credit union, we have chosen not to specifically address the provisions in the proposed rule related to community chartered credit unions.

SACU applauds the unified commitment of this Board and the agency as a whole to enabling more consumers who are eligible for membership to continue access to the services of federal credit unions, particularly those of modest means.

Sincerely,

Steve Hennigan
Chief Executive Officer

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[5] http://www.sanantonio.gov/Finance/consumerprotection/payday.aspx
[6] Proposed Chartering and Field of Membership Manual, 12 CFR Part 701, RIN: 3133-AE31, p. 20.