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Montana Credit Union League | League Service Group | Montana Credit Unions for Community Development

February 5, 2016

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

Re: Comments on Notice of Proposed Rulemaking Regarding Associational Common Bond – RIN 3133–AE31

Dear Mr. Poliquin:

The Montana Credit Union Network (MCUN) appreciates the opportunity to submit comments regarding the National Credit Union Administration (NCUA) Board’s proposed changes to its chartering and field of membership (FOM) rules. MCUN represents Montana’s 52 credit unions and their more than 380,000 members.

With 90 percent of our Montana credit unions being recognized as “low income designated,” it is clear that our rural state has unique financial needs. Consumers deserve easy access to a credit union to help them improve their financial lives. Modernizing the field of membership rules increases their access, and we strongly support the Board’s efforts and encourage quick adoption and implementation of the proposed changes.

Our credit unions have long recognized a dual charter system as a critical component of a strong credit union system. Both our federal and state chartered member credit unions worry that the federal charter has fallen behind many state charters and is now becoming a barrier to the flexibility needed to operate modern and efficient cooperative financial institutions. With the state charters continuing to provide expansions and reach underserved markets, we feel the federal charter needs modernization and increased flexibility to remain a viable option.

Comments on Specific Sections of the Proposed Rule

Core Area Service Requirement: We support the elimination of the requirement that a CBSA contain a “core” both because it places an onerous burden in some areas and because the Federal Credit Union Act does not contain the limitation. NCUA should not use regulation to add a burden that Congress did not impose.

Individual Congressional District as a Well-Defined Local Community: Our great state is currently served by a single congressional district and has a population of just over one million residents. It is a

clearly defined community with many shared interests. Allowing a credit union to serve that population is reasonable, and we strongly support this portion of the proposal. Washington State is only 50 miles from our northwest border, and state chartered credit unions there have been serving the whole state successfully. We would like to see this option provided to federally chartered credit unions in Montana and elsewhere.

Rural District Multistate-Expansion Limit: We do not support the requirement that allows rural district credit unions to serve only those states contiguous with their headquarters. NCUA should continue to work to bring credit union services to rural and underserved areas, and this limitation may be counterproductive to that effort. Given that population limits already serve as a check on the area a credit union can serve, this restriction makes the rule redundant and less flexible.

Rural District Population Limits: As previously mentioned, Montana was just over one million residents, so we also support increasing the current limit of population cap of 250,000 that rural district charters can serve up to 1 million. Many of the rural areas this would impact are underserved, and allowing consumers more access to financial services at a credit union can only be a positive.

Underserved Areas: The proposed amendment would allow agency staff to recalculate the concentration of facilities ratio analysis to exclude non-community credit unions and other financial institutions not open for deposit. With the continued trend of mergers among banks and rapid closure or withdrawal of services in rural communities after consolidation, this is necessary to ensure consumers in those areas have access to full financial services.

Reasonable Proximity through Members' Online Access to Services: We strongly support the proposal to modify the definition of "Service Facility" to include a transactional website or mobile platform. As technology continues to evolve and consumers no longer need to step into a physical branch for many transactions, we feel it is necessary to update the definitions of how credit unions can serve their membership. It is also relevant to consider how consumers access technology in rural underserved areas where a physical branch may not be feasible because of low population, but consumer financial service needs are still present.

Inclusion of Select Employee Group Contractors in a Multiple Common Bond: This proposal would allow credit unions with a multiple occupational common bond the same ability as a single occupational common bond credit union to add individuals who have the strong dependency relationship to the sponsor. It is a logical change and one that we fully support as more and more employers add independent contractors to their workforce.

Streamlined Determination of Stand-Alone Feasibility of Groups Greater than 3,000: MCUN supports this proposal and encourages NCUA to consider an even higher threshold of 10,000.

Other Persons Eligible for Credit Union Membership: Allowing a credit union to include veterans who were honorably discharged from any branch of the United States Armed Forces in its charter would continue eligibility for credit union membership beyond their time of active duty. Montana has a high percentage of veterans, and many are unbanked and living in underserved areas. Making sure they have access to credit union membership honors their service and gives them a chance to improve their financial lives.

Trade, Industry or Profession (TIP) as a Single Common Bond: NCUA did not propose to eliminate geographic limitations for TIPs as was suggested last year by CUNA, our national association. Statute does not require such a geographic restriction since a TIP is a single common bond federal credit union. Moreover, NCUA's own policy does not apply the geographic restriction "for credit unions currently serving a national field of membership or operating in multiple states." Therefore, it is logical to remove this mandate and allow other credit unions to explore the desirability of operating with a TIP charter. Modern technology certainly allows a credit union to address any membership service concern that NCUA may have had when it first imposed this geographic limitation.

In Montana, we have one federal credit union with a TIP charter that serves the health care industry. They do so very well; but, as the hospitals and clinics merge with other smaller health care facilities and expand across the state, the credit union is limited in reaching those employees because of their geographic limitation. This inhibits the continued relationship of the credit union to their employee base, along with their outreach development.

Conclusion

We are grateful to NCUA for all of your work to modernize your chartering and field of membership manual. The proposed rule contains many features that will benefit consumers, and we fully support it. If you have questions on any of our comments, please contact Donya Parrish, VP-Advocacy, or me.

Sincerely,

A handwritten signature in black ink, appearing to read "Tracie Kenyon", with a stylized flourish at the end.

Tracie G. Kenyon
President/CEO