



February 5, 2016

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

RE: Chartering and Field of Membership Manual  
Proposed Rule with Request for Comments  
12 CFR Part 701, RIN 3133-AE31

Dear Mr. Poliquin:

SECU is an NCUA insured Maryland state-chartered credit union managing over \$3 billion in assets. SECU provides a broad line of financial products and services to over 230,000 members.

We appreciate the opportunity to submit the following comments on the NCUA's proposal to amend the Chartering and Field of Membership Manual.

Although we are a state-chartered credit union and not subject to this rule, we are hopeful field of membership changes for federal credit unions will result in enhancements at the state level in Maryland. We also believe federal chartered credit unions should have parity with state-chartered credit unions, such as those in the state of Washington which enjoy state-wide field of membership. Even more importantly, the financial interests of consumers are best served by providing choice in the marketplace and this can only be accomplished by expanding field of membership rules to provide for more consumer access to credit union products and services. We believe this sentiment is echoed by the remarkable number of responses in support of this proposed rule submitted to NCUA from consumers.

We strongly believe that every consumer should have the ability to choose either for-profit banking or not-for-profit financial cooperatives and we believe the only limitation to field of membership should be the credit union's ability to serve. Short of that, we support the proposed rule and applaud NCUA's proposal to modernize field of membership and reduce regulatory burden by removing some non-statutory constraints from the NCUA regulation. Furthermore, we believe the proposed amendments are in line with the NCUA's duty to facilitate consumer access to credit unions under the Credit Union Membership Access Act of 1998.

Please consider the following comments:

**Population Limits**

Under the current NCUA regulation, there is a 2.5 million population unit for a core based statistical area. The proposed rule does not seek to make changes to this population limit and

would impose the same limit for a combined statistical area. It should be noted that this population limit is not a requirement under the Federal Credit Union Act.

We strongly believe the only limit to a credit union's field of membership is the credit union's ability to serve the members. The 2.5 million population limit for a core based statistical area and the proposed combined statistical area adversely impacts community credit unions who wish to serve a core based statistical area with a large population. For example, the Baltimore-Columbia-Towson Metropolitan Statistical Area would not be allowed to be used as a well-defined local community because its population limit exceeds 2.5 million. A community credit union seeking to serve this population center would be forced to base its well-defined local community on a county or city, which would arbitrarily limit the population served and would not completely represent the community. In contrast, a credit union could serve Los Angeles County, which has a population of 10 million people.

Since core based statistical areas and combined statistical areas adequately represent communities as much as some large single political jurisdictions do, we believe the population served should not be limited by an arbitrary number. We urge the NCUA to consider removing the population limit altogether as this would make the proposed amendments in other areas more impactful for consumers and would place community credit unions on an equal playing field. Alternatively, we recommend increasing the population limit to that of the highest population in a single political jurisdiction.

### **Rural Districts**

We believe NCUA should use its authority to define "rural district" under the Federal Credit Union Act to make positive changes that will provide consumers in rural areas with greater access to credit unions. For example, we do not believe the NCUA should limit rural district credit unions to serve only states that are contiguous with the state where its headquarters is located. Furthermore, we believe the current population restriction for rural districts is too low and unreasonably limits consumer access to credit union product and services. The only limitation should be the credit union's ability to serve the rural district. Moreover, a credit union with sufficient electronic banking channels should be authorized to provide membership to people residing in rural areas.

### **Reasonable Proximity through Electronic Channels**

SECU supports the expansion of the "Service Facility" definition to allow the use of modern day technology used to serve members to demonstrate reasonable proximity to a group. The credit union's website, online banking, ATMs and other electronic channels should be sufficient to demonstrate a credit union's ability to serve its members.

### **Combined Statistical Area**

SECU supports allowing a combined statistical area to be used as a well-defined local community. However, as stated above, we do not believe the 2.5 million population limit should be imposed. In addition, we encourage NCUA to consider allowing the use of other federal or state statistical models that may be available to define a community.

### **Addition of Adjacent Areas to a Well-Defined Local Community**

We agree that credit unions should be allowed to expand into adjacent communities that don't fall within a well-defined local community or rural district. However, we are concerned that NCUA may impose unnecessary hurdles. We believe the only requirement should be the credit union's ability to serve the expanded community.

### **Congressional District**

SECU supports NCUA's proposed use of a Congressional district as a well-defined local community.

### **Inclusion of Contractors in a Multiple Common Bond**

SECU supports allowing contractors of a multiple select employee group (SEG) sponsor to be eligible for credit union membership. There is no reason why a person who works with a SEG should be denied membership simply because he or she is a contractor. In many industries it is common that a large percentage of the persons performing work for the SEG sponsor may be contractors working alongside traditional employees.

### **Inclusion of Office or Industrial Park Tenants in a Multiple Common Bond**

SECU supports the proposal to add employees of an office building or complex as a separate SEG.

### **Streamlined Determination of Stand-Alone Feasibility of Groups Greater than 3,000**

SECU supports the proposal to streamline the determination of stand-alone feasibility for groups of 3001-5000 members. We believe this is a common sense approach to reducing regulatory burden.

### **Trade, Industry or Profession (TIP) As a Single Common Bond**

SECU supports allowing a TIP chartered credit union to serve vendors, contractors and other groups closely connected to a particular trade or industry regardless of whether the group technically falls under the express TIP charter category.

### **Core Area Service Requirement:**

NCUA should not require a community credit union to serve a specific area in a core based statistical area, since this requirement is not within the Federal Credit Union Act and can result in an area that does not represent a practical community or may exclude portions of a community that are viable.

### **Merger Process Improvement**

We believe NCUA should make improvements to the merger process. For example, we believe NCUA should be more proactive to approve a merger sooner; prior to a steep decline in the financial condition of the merged credit union. Additionally, we believe NCUA should simplify the process for a merger of credit unions with different fields of membership where there is no interest in retaining the merged credit union's FOM by eliminating the need to approve a charter conversion prior to the merger. This could be accomplished by updating the chartering manual to clearly allow the merged credit union to change its field of membership and approve the merger all in one step.

### **Ability to Grandfather Existing FOM When Converting to a Different Charter**

We believe a credit union should be able to grandfather its existing field of membership when converting to a different type of charter (whether that be from a multiple common bond to a community charter, a state-chartered credit union converting to a federal credit union, or a credit union with another type of field of membership that does not fit within the new rules). This would free the credit union to select the charter that is best suited for the credit union's strategic direction while retaining the ability to continue to serve persons within the existing field of membership that may fall outside the confines of the new community.

### **Areas of Opportunity to Improve the Field of Membership Expansion Approval Process**

We urge NCUA to assess potential areas of opportunity to further reduce regulatory burden in the field of membership expansion approval process.

For example, we encourage NCUA to develop automated approval processes for credit union field of membership expansion in Congressional districts, combined and core based statistical areas, single political jurisdictions and rural districts.

Also, we do not believe NCUA should require a credit union to submit a marketing plan to prove how a credit union will serve an area. The decision to serve an area is a business decision the

credit union should make in keeping with its strategic direction and should not require NCUA approval.

### **Reinstate the Narrative Approach**

We believe NCUA should continue to allow credit unions to utilize a narrative approach to explain why an expanded field of membership is within its community or to state why a certain community should be considered when all of the other well-defined local communities do not sufficiently represent a community.

### **Exclusion of Non-Depository Institutions and Non-Community Credit Unions when Calculating the Concentration of Facilities Ratio**

SECU supports the exclusion of non-depository institutions or non-community credit unions from the concentration of facilities ratio test since these institutions are unable to serve the proposed area, despite having a branch there.

### **Other Persons Eligible for Credit Union Membership**

SECU applauds NCUA's honoring the service of our Veterans through this aspect of the proposal as this would facilitate their ability to join a credit union.

### **Timing**

Since this proposed rule will benefit consumers as a whole and may have a substantial positive impact on some credit unions who have been eagerly awaiting greater field of membership flexibility, we recommend the NCUA make the rule's effective date as early as possible. If certain aspects of the rule require a lengthier implementation period, we encourage NCUA to consider making some parts of the rule effective earlier than others.

In conclusion, we applaud NCUA's efforts to increase consumer access to credit union products and services but we encourage careful consideration of additional relief in some areas, as we have outlined above. Thank you for your review of our comments. We look forward to receiving your response in the final rule.

Sincerely,

A handwritten signature in black ink, appearing to read "Rod Staatz", written in a cursive style.

Rod Staatz, President/CEO