

February 5, 2016

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

Re: Proposed Rule – Chartering and Field of Membership Manual

Dear Mr. Poliquin:

I am writing on behalf of SchoolsFirst Federal Credit Union (SchoolsFirst FCU), which serves school employees in Southern California. We have more than 670,000 Members and almost \$12 billion in assets. SchoolsFirst FCU appreciates the opportunity to comment on the recently issued proposed rule that would amend the Chartering and Field of Membership Manual. SchoolsFirst FCU has a TIP charter to serve schools employees and their family members in Southern California.

Overall, we strongly support and are in favor of the FOM amendments proposed by the NCUA which will allow for the expansion of credit union service and opportunities for consumers, while supporting the continued progression of the credit union movement. More importantly, many people continue to struggle financially and would benefit greatly from being a Member of a financial institution that supports the not-for-profit cooperative philosophy of “people helping people.” The proposed amendments will benefit and expand the ability of credit unions to provide services to consumers who may not currently be credit union Members.

Identified below are a few of many proposed amendments that we strongly support:

Core Area Service Requirement

We support the elimination of the requirement for a Federal Credit Union (FCU) to serve the “core area”, if electing to serve a portion of a Core Based Statistical Area (CBSA), as this is not required by the Federal Credit Union Act. The existence of this requirement as a standard for determining the existence of a well-defined local community, in many instances has the unintended result of dividing a CBSA into portions that do not represent a viable community. This amendment will allow greater opportunities for FCUs to provide accessibility and serve Members on a larger scale. Additionally, it will provide FCUs with the ability to grow at an appropriate scale.

“Reasonable Proximity” Online Access to Services

We are in favor of the NCUA modifying its definition of “service facility” for multiple common bond FCUs to include a transactional website or mobile platform meeting the necessary requirements. The evolution and continued upward consumer adoption of both mobile and online banking along with the increased functionality to include most common transactions makes a “service facility” a channel of choice not a necessary channel for Members as it once was. In addition, research has already started to track the reliance on these channels and their continued growth as their preferred channel of choice for many consumers. The want and need for internet and online accessibilities will continue to increase and

become the service channel of choice in the future. This will allow FCUs to further support the needs of our Members while providing increased accessibility.

We encourage NCUA to adopt a similar “service facility” approach as it relates to all charter types.

Trade, Industry, or Profession (TIP)

One of the proposed changes by the NCUA is the inclusion of employees of entities that have a “strong dependency” relationship and work directly with other types of entities within the same industry. An example provided is an FCU that serves employees of companies within the airline industry that have a strong dependency relationship with airlines or airports, without the limitation that these employees work at an airport. While the example provided is clear, we are requesting to further define what the NCUA would consider a “strong dependency” relationship by providing multiple scenarios to ensure we have a clear understanding of what may or may not be approved under this proposed amendment. We are also requesting examples of “strong dependency” vendors and suppliers along with any location requirements, to ensure FCUs fully understand the criteria set forth by the NCUA.

We are recommending that the NCUA support our understanding of “strong dependency” relationship to include our own circumstance in which, as the leading credit union for school employees, we would potentially be able to include students attending a School or College of Education to our charter as a separate group. We strongly feel these future educators fall within the definition of what is deemed as “strong dependency”. These students also share a common bond with educators as they are future educators, and may indeed or at least should, qualify under the current statute.

Lastly, although the NCUA did not make this proposal, we would like to strongly recommend the NCUA eliminate the geographic limitations for TIPs as proposed by both CUNA and NAFCU last year. At present time, a geographic restriction is not required by statute since a TIP is a single common bond FCU. In addition, the 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”. While we feel these requirements may have been appropriate initially, we feel that in today’s environment, removing this mandate will allow for credit unions to explore the desirability of operating with a TIP charter. Today, as our society continues to be ubiquitous and widespread, credit unions are equipped with the technology and digital communication platforms to efficiently provide services to Members regardless of geographic locations.

Summary

We feel the proposed amendments will strengthen the federal charter and provide relief for FCUs. They will help FCUs better serve their communities by eliminating procedural and regulatory restrictions. While we acknowledge that legislation is necessary to resolve certain limitations of FOM rules, we support and appreciate the NCUA’s efforts at regulatory relief by streamlining its chartering and FOM procedures, as well as removing many non-statutory constraints on FOM chartering and expansion.

Thank you for the opportunity to comment on this proposed rule. We feel that our feedback and recommendations will allow our industry to better serve Members by giving credit unions more flexibility to establish and maintain their community presence.

Sincerely,



Bill Cheney,
President/CEO
SchoolsFirst Federal Credit Union

Cc: Credit Union National Association (CUNA)
California/Nevada Credit Union League (CCUL)