

From: [Cleo Segovia](#)
To: [Regulatory Comments](#)
Subject: Cleo Segovia: Comments on Notice of Proposed FOM Rulemaking
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February 7, 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 Resource One Credit Union (R1CU) 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. R1CU represents Dallas and Northwest Harris Counties and their more than 53 thousand members.

R1CU strongly supports this modernization effort and encourages the NCUA Board to quickly adopt all of the proposed changes along with our additional suggestions, which will make NCUA's proposal even more robust. We support NCUA for recognizing the stagnant nature of the agency's FOM requirements when compared to some innovative state charters. The agency has made efforts to improve several agency processes for FOM expansion. This proposed rule is the first step in the process of updating NCUA's FOM regulation.

Population Limit for Well-Defined Local Community Based on Statistical Areas

NCUA should increase the population limit for a WDLC based on statistical areas beyond the 2.5 million in NCUA's current FOM regulation. R1CU suggests that NCUA look into eliminating the population limit, or if the agency needs a population limit, it should be based on the most populous SPJ. The use of a Core Based Statistical Area (CBSA) or SPJ to define a WDLC in itself limits the population that a credit union can serve as both are made up of finite areas. Furthermore, core based statistical areas (CBSAs) were designed to defined communities, so a population limit splits these communities.

It appears that NCUA based the population limit on what the United States Census defines as a Metropolitan Division. This is described as "smaller groupings of counties or equivalent entities defined within a Metropolitan Statistical Area containing a single core with a population of at least 2.5 million." Metropolitan divisions serve as subdivision of larger CBSAs. When a CBSA exceeds 2.5 million in population, it can be divided into Metropolitan divisions.

A CBSA can serve as a proxy for a WDLC, but just like an SPJ, it does not necessarily describe or represent an entire community or a community that needs financial services from a credit union. Statistical areas are described by the Office of Management and Budget (OMB) as "that of an area containing recognized population nucleus and adjacent communities that have a high degree of integration..."

A CBSA does not over include, but under includes communities because of the difficulty in truly defining a community by anyone other than the members of a community. Under inclusion is exacerbated by 2.5 million-population limit, which because of other NCUA limitations, has prohibited the use of CBSAs for community chartered credit union in larger metropolitan areas.

The current limit serves to discriminate in favor of community credit unions in areas with large SPJs even though a CBSA or Combined Statistical Area (CSA) can better represent a community because it is not subject to political jurisdiction border limitations. For Example, Los Angeles County has a population of 10 million people and one credit union can serve that county, but a credit union could not serve an entire CBSA or CSA as proposed with a similar population.

Ultimately, the 2.5 million-population limit constrains who credit unions can serve and makes the other proposals for the use of statistical areas in this proposal less useful. Furthermore, it makes the removal of the “core area” requirement necessary as that requirement, along with the population limit, restricts areas that credit unions can serve. NCUA’s current rules are designed to limit a multiple jurisdiction charter to smaller populations and land areas than enjoyed by SPJs. Instead, the chartering rules should be designed in such a way to allow multiple political jurisdiction community charter credit unions to expand to the limits set by SPJs.

For these reasons, R1CU supports NCUA eliminating the population limit, or at the very least, setting it equal to that of the most populous SPJ, which would put community credit unions on a more equal footing. CBSAs and CSAs adequately represents communities as much as some large SPJs and thus, the population served should not be limited by an arbitrary number.

Core Area Service Requirement

We support NCUA’s proposal to eliminate the requirement for community chartered credit unions wishing to serve a community consisting of a CBSA to serve the “core area” of the CBSA. NCUA’s current FOM regulation for community credit unions requires that credit unions that wish to serve a CBSA must serve what NCUA defines as the “core area” of the CBSA. NCUA defines the core area as the most populous county or named municipality in the CBSA’s title. The requirement to serve a “core area” along with the population limitation limit the areas that a credit union can serve in a CBSA.

Serving a CBSA or “core area” are not required by the FCUA. They are a standard the agency devised for describing a WDLC that is not an SPJ (county or city). NCUA should not place limitations on service areas in statistical areas, because these limitations or requirements can divide these areas into portions that do not represent a viable community or exclude the viable portions of a community.

We have seen criticism that the elimination of a credit union’s requirement to serve the “core area” could allow credit unions to “redline.” The very factor that credit unions have an FOM requires that they only serve select groups of people. Whether this is defined by a common bond or community, Congress places limits on who credit unions can serve in the FCUA by design.

A priority of R1CU is the ability to service more underserved areas. Unfortunately, the FCUA only allows multiple common bond credit unions to serve designated underserved areas. The NCUA should join R1CU’s stance in asking Congress to amend the FCUA to allow all charters to serve underserved areas.

Limit as Applied to a Well-Defined Portion of a CBSA

R1CU supports removing the restriction that prohibits community chartered credit unions from serving a portion of a CBSA if the overall population of the CBSA exceeds 2.5 million. This limitation excludes large CBSAs from being used as a WDLC. Contrast this with the fact that the current regulation allows a community chartered credit union to serve a portion of a CBSA with a population of 2.5 million or less as long as the credit union serves the core area.

This requirement makes little sense. It clearly renders all CBSAs with populations that exceed 2.5 million useless for the purpose of being used as a WDLC for a community chartered credit union. A credit union seeking to use this CBSA could not use it because its population exceeds 2.5 million.

Combined Statistical Areas

R1CU supports NCUA's proposal to let Combined Statistical Areas (CSAs) serve as a WDLC for community chartered credit unions. A CSA is defined by the Census Bureau as consisting of two or more adjacent CBSAs that have substantial employment interchange. The CBSAs that combine to create a CSA retain separate identities within the larger CSA. A CSA goes beyond the concept of a CBSA and yet is constituted by a combination of CBSAs. Additionally, the Census Bureau requirement for substantial employment interchange further substantiates commonality.

Serving all or part of a CSA gives credit unions flexibility serve an entire community that normally would not fall into a single CBSA. In addition, allowing CSAs to be WDLCs will give community chartered credit unions the flexibility to serve more entire communities that might otherwise be excluded for the current FOM regulation.

Addition of Areas Adjacent to a Core Based Statistical Area

R1CU supports the proposed addition of an area adjacent to a CBSA. This proposed change would allow a credit union to serve a contiguous area outside of a CBSA, CSA, SPJ or rural district if that area is within the WDLC. R1CU is concerned that NCUA may impose policy or process hurdles that make this provision less flexible. NCUA states "the more expansive the adjacent area, theoretically even surrounding the original community's entire perimeter, the more challenging and burdensome it may be for a credit union to, first, subjectively demonstrate a sufficient totality of indicia of interaction or common interests among residents of the expanded community, and then to establish through the credit union's business and marketing plans its ability and commitment to serve the entire expanded community."

First, as discussed earlier in this letter, credit unions should be approved to serve areas without the need for marketing plans and proving a commitment to serve. R1CU urges the agency to adopt reasonable standards for use of the this provision with pre-approved areas. For example, a community credit union with an FOM based on an SPJ should be allowed to add areas adjacent the SPJ when they share the same name. This is most evident when cities and unincorporated areas share the same name. Another example could be the automatic addition of SPJs that are split by Congressional districts.

We urge the agency to adopt reasonable standards for use of the provision with some pre-approved areas. However, R1CU is concerned that NCUA may impose policy or process hurdles that make this provision less flexible. NCUA states "the more expansive the adjacent area, theoretically even surrounding the original community's entire perimeter, the more challenging and burdensome it may be for a credit union to, first, subjectively demonstrate a sufficient totality of indicia of interaction or common interests among residents of the expanded community, and then to establish through the credit union's business and marketing plans its ability and commitment to serve the entire expanded community."

Individual Congressional District as a Well-Defined Local Community

R1CU suggested to NCUA and strongly supports the addition of a Congressional district as a WDLC. A Congressional district inherently defines a community with shared interests. Congressional districts are contiguous in land area and contain smaller populations than many SPJs and are less than the 2.5 million currently allows for an MSA and is the ultimate "political" jurisdiction. An FCU would recognize that the exact boundaries of a Congressional district might change every decade, but it would be able to

continue to serve anyone who is a member-of-record at the time of re-districting. As R1CU's earlier recommendations state, we think that an FCU should be able to include a Congressional district combined with other contiguous communities.

Underserved Areas

R1CU supports NCUA's amendment that would allow agency staff to recalculate the concentration of facilities ratio analyses excluding non-community credit unions and other financial institutions not open for deposit.

Other Persons Eligible for Credit Union Membership

This proposal will allow a credit union to include within its common bond those who have been honorably discharged as a veteran of any branch of the United States Armed Forces listed in charter, continuing eligibility for credit union membership beyond their time on active duty. R1CU supports the NCUA honoring the service of our Armed Forces by providing access to credit union services beyond their active duty.

Conclusion

R1CU fully supports the NCUA's proposed FOM rule. If you have questions or would like to discuss our comments in more detail, please contact feel to contact me.



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