

February 08, 2016

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

RE: Comments on Notice of Proposed Rulemaking for Field of Membership - RIN: 3133-AE31

Dear Gerald Poliquin,

February 8, 2016

On behalf of SkyOne Federal Credit Union, I am writing to you regarding the National Credit Union Administration's (NCUA) proposed rule amending the Chartering and Field of Membership (FOM) Manual, incorporated as Appendix B to part 701. The credit union industry has long advocated for FOM reform, and we appreciate the NCUA Board's support for modernizing the agency's FOM regulations for the first time in fifteen years. While, I appreciate the NCUA's initiative in this rulemaking to provide comments on this proposal, I also believe we have further opportunities for FOM reform –specifically for TIP (Trade, Industry, and Profession) chartered credit unions.

SkyOne Federal Credit Union was one of the first credit unions to change to a TIP charter in 2004. This allowed us to reach out to employees in the air transportation industry while continuing to serve our original sponsor, the Federal Aviation Administration. Our change in charter has provided great opportunity nationwide, however it's also provided its fair share of challenges. These challenges include but are not limited to the following: lack of merger opportunities because of our charter, roadblocks to reverting back to previous charter, and the inability to bring on younger members due to the TIP's employment requirements.

Inclusion of "Strong Dependency" Vendors and Suppliers in TIP Definition

Let me start off by commending the NCUA for the addition of 'strong dependency' vendors to the eligibility requirements for TIP chartered credit unions. This will certainly allow us to reach out to more employees within the air transportation industry. As proposed, however, a TIP charter credit union must seek NCUA approval and demonstrate that an entity is "strongly dependent" on the others within a TIP. I recommend the "strong dependence relationship" standard be the same as that used for showing relationships between a single or multiple common bond credit unions. NCUA should extend that same common-sense to TIP charter credit unions, without requiring NCUA approval and justification.

Geographic Limitations for TIP Charters

SkyOne already benefits greatly by having a nationwide field of membership because of the national base we were serving and the multi-state presence we had prior to our TIP charter. Unfortunately, NCUA still requires a geographic limitation for credit unions converting to a TIP charter. A geographic limitation is not a requirement for a single occupational common bond credit union, and likewise, should not be a requirement for a TIP charter credit union. The availability of online banking, mobile banking, and remote deposit capture, allows credit unions to provide their members with 24/7 service wherever they reside. The NCUA should modernize the TIP charter by removing the geographic limitation.

Use of terms "service facility" and "reasonable proximity"

Because of the services mentioned above, 95% of SkyOne members conduct their transactions, open their

accounts, apply for loans, and fund their loans using either our online channel, our mobile channel, or via telephone. Only 5% of our members conduct transactions in a branch. I appreciate the agency's proposed revision of "service facility" to include a credit union's online products and services capable of accepting share and loan applications. However, limiting its application to only the "reasonable proximity" criteria for select occupational and associational groups still misses the need to provide long overdue regulatory relief for all credit unions. I recommend NCUA remove all requirements and references pertaining to "reasonable proximity" and "service facilities".

Mergers and Acquisitions

As I stated previously, the TIP does present some challenges. At a time when the credit union industry is unfortunately consolidating, SkyOne has been at a disadvantage when looking for merger partners. While we have been lucky during the past five years to find merger partners within our own air transportation industry, our future acquisition opportunities are narrowing. We are therefore considering alternative federal, and even state, chartering options. I feel that our current merger guidelines do not properly (or fairly) address TIP charters and are in need of an overhaul. A TIP charter credit union should be permitted to merge with a community based credit union or with a multiple sponsor credit union, provided there is some overlap in their fields of membership. And, they should be allowed to complete these mergers without redlining SEGs from the merging credit union.

Retaining Select Employee Groups

Along these lines, another opportunity lies in the need to make it easier to change your charter if the current charter does not allow for further growth. For example, if we chose to convert back to a multiple sponsor charter or even to a community charter, we should be able to continue serving employees in the air transportation industry. NCUA should not require the credit union to go back and get letters from the very same SEGs the credit union has been serving. This requirement is confusing to the SEG and is negatively perceived. The NCUA should continue to honor SEG affiliations even after charter changes.

Associational Common Bonds

I appreciated the NCUA's recent enhancements to the field of membership rules pertaining to association members, until I learned that they did not apply to TIP chartered credit unions. Our TIP field of membership allows us to serve the air transportation industry, but we were told by the NCUA that we could not offer our credit union membership to all members of Women in Aviation (WAI) or the Aircraft Owners and Pilots Association (AOPA), to name a couple of examples, even though they meet all of the requirements of the new rules pertaining to association membership. The NCUA gave credit unions a viable charter option when they introduced the TIP option more than ten years ago. Preserve the TIP charter option. Enhance the TIP charter whenever other charters are enhanced, giving all credit unions the same expansion opportunities. The inability to serve air transportation related associations deeply limits our ability to grow our membership base. I urge you to consider adding common associational bonds within the TIP charter.

The greatest challenge, in my opinion, lies with the limitations in a TIP charter that requires our members to be employed. This presents significant challenges in bringing in younger members (Gen Y and Gen Z) critical to future growth and sustainability of the credit union. The current TIP charter does not allow students studying to obtain a career in the air transportation industry to join our air transportation credit union. For example, a young student attending an aviation mechanic school or a pilot school is not eligible for membership. They must wait until they graduate (which is typically at age 23 or older) and get a job in the industry before they can join our credit union. This is a disservice to both the student and the Credit Union. Because of this limitation, our average new member age is 38. It is still extremely challenging to build a relationship with someone who, at 38, has a greater chance of already having a primary financial institution, than someone who is 18 and just starting out in life. If we are unable to bring in members who are just starting out and in need of financial services because of the limitations of our charter, we are in danger of becoming irrelevant.

Summary

In summary, please consider the following amendments to enhance the proposed rules pertaining to Field of

Membership and Chartering.

1. Allow the inclusion of “strong dependency” of vendors and suppliers to TIP charter credit unions, without requiring the TIP charter credit union to first justify and obtain NCUA’s approval.
2. Modernize the TIP charter by removing the geographic limitation.
3. Remove all requirements and verbiage pertaining to “reasonable proximity” and “service facilities” to recognize that credit unions are effectively serving members through online and mobile channels.
4. Facilitate merger opportunities for TIP charter credit unions by permitting mergers with community based or multiple sponsor credit unions provided there is some overlap in their fields of membership. And, allow merging credit unions to complete their mergers without redlining SEGs from their credit union.
5. Allow TIP charter credit unions to change their charter to a community charter or a multiple sponsor charter, without giving up the ability to continue serving the SEGs they’ve been serving for years.
6. Allow TIP charter credit unions the same associational membership benefits that were given to single and multiple sponsor credit unions.
7. Permit students, engaged in learning to work in the very same industry for which the TIP charter credit union exists, to join the credit union.

Thank you for the opportunity to comment on this proposed regulation. I applaud the agency’s willingness to amend the Chartering and FOM Manual to provide much-needed relief for the credit union industry. While I strongly support this proposal, I encourage the agency to consider the recommendations outlined above, as I believe these suggestions will meet the needs for TIP charter credit unions. I also invite you to contact me directly so that together, with other TIP charter credit unions, we can identify further opportunities for improvement within the TIP charter. Please do not hesitate to contact me at rivera@SkyOne.org or by phone at 310.491.7601.

Sincerely,

Eileen Rivera
President/CEO
SkyOne FCU

cc: CUNA, CCUL