TULSA FEDERAL
CREDIT UNION

January 12, 2016

Mr. Gerard Poliquin
Secretary to the NCUA Board
1775 Duke Street
Alexandria, VA 22314

FEB01'16 PM 2:45 BOARD

Dear Mr. Poliquin:

On behalf of Tulsa Federal Credit Union (Tulsa Federal), our Board of Directors and Management (We) would like to provide the following comment letter, for the official record, regarding the National Credit Union Administration (NCUA) revised proposed rule governing field of membership (FOM). We appreciate the opportunity to provide our thoughts on this very important regulatory proposal.

These revisions to NCUA's FOM regulation are, in our view, long overdue and consistent with the federal statute. We believe many of these provisions should have been implemented years ago and applaud both the Board and staff for addressing this critical issue for the long-term viability, growth and financial stability of the credit union system. As a federally chartered credit union with a community FOM, Tulsa Federal has firsthand experience with the disparity which exists on FOM issues between state and federal chartered credit unions. This proposal is a significant improvement over the current rules and regulations. Although the proposal falls short of establishing complete equality with many state chartered community credit unions, it is a positive step in the right direction.

That being said, we have some reservations about certain provisions. For example, we fail to understand why it is necessary to set a population limit for credit unions with a community FOM. For years many state chartered credit unions with community FOM have been able to obtain statewide FOMs resulting in community charters with much higher populations than the arbitrary 2.5 million cap retained in this proposal. These decisions have been based on the credit union's ability to serve the approved area, regardless if the credit union provides services by physical or virtual means. In fact, within the proposal, NCUA goes to great lengths (and deserved commendation for doing so) to highlight technology's impact on the delivery of financial services. As a result, the provisions which expand the definition of a service facility are justified and long overdue. However, even with this enhanced and modernized definition of a service facility for SEG-based credit unions, NCUA needs to ensure that the FOM regulations are positioned for the ongoing evolution and proliferation of technology on financial services for ALL credit unions. Establishing what we consider an arbitrary population limit – (since it is not mandated by federal law and was neither included in the 1999 nor the 2003 FOM regulations) has nothing to do with the credit union's ability to serve a particular geographic area nor the need of credit union services within that area. The ability to serve a community safety and soundly, and the existence of a business plan with which to do so, should be the determining factor in the size of a community granted to a federal credit union as its FOM. We respectfully request that NCUA remove any population limitation specified within the proposed regulation.

Determining the FOM should be from the justification that a credit union presents to NCUA. Establishing a predetermined set of inflexible rules which apply to all credit unions fails to recognize potential geographic differences and other unique circumstances amongst credit unions. To its credit, by considering Combined Statistical Areas (CSA) for a community chartered credit union's FOM, it is apparent that the agency is willing to consider defined areas other than Metropolitan Statistical Area (MSA) when reviewing a FOM expansion request.

However, if we are looking for third party governmental agency documentation of well-defined local communities, why limit community FOMs to these two defined areas? Perhaps an alternative to CSA or MSA could be used for Oklahoma credit unions or similar states with large rural areas. For example, the Rural Urban Commuting Areas (RUCA) was collaboratively established by the Office of Rural Health Policy, Department of Agricultures' Economic Research Service and the WWAMI Rural Health Research Center. The RUCA was specifically developed to address the unique interdependence that this type of demographic/geographic area creates.

In less populated states, the population limit, combined with the current FOM restrictions, becomes a real growth challenge. A one-hour commute for an individual is not uncommon in this country. However, unlike urban areas where that commute to work or recreational activities may be within the same city limits, the commute in a more rural area could easily extend over 50 miles crossing a number of statistical areas or towns that are not even included in a statistical area. Bottom line, a credit union should have the ability to develop a business case as to why a particular FOM makes sense in their particular situation.

Prior to 2008, credit unions with a community FOM were able to provide financial services to underserved areas which were outside of its designated FOM. Restricting any credit union from providing financial services to underserved areas is inconsistent with everything that the credit union movement represents. It is illogical that NCUA would permit credit unions with multiple common bonds, with no demonstrated ability to service an entire community, to serve these areas but prohibit credit unions whose business already is providing financial services to a community. It would appear that this provision is already within statute, so why prohibit it? Therefore, we request that NCUA return the ability of credit unions with a community FOM to serve underserved areas outside their defined FOM.

As previously stated, and despite some of our requests for additional modernization, this regulation is a marked improvement over the current regulation. However, we are perplexed why NCUA used the overly restrictive 2010 FOM rules rather than modernize the version of the 2003 rules. By not returning options granted in 2003 that were taken away in 2010, this can't be considered a modernized version of FOM, as NCUA suggests. A modernized version of the 2003 FOM rules would appear to be a logical option since it was already upheld by the court when challenged in 1999 by the bank lobby. Why was it necessary to "reinvent" something which already existed prior to the 2010 FOM restrictions? Added restrictions in 2010 such as the population caps and burdensome process for qualifying underserved areas, not included in the 1999 or 2003 rules, were retained in this proposal. The agency, in the name of modernization, does not seem to be willing to go back to a regulatory starting point that was more progressive than the current rules. In actuality, despite the marked improvements in this proposal from the current FOM rules, this proposal is not as "modernized" as was the rule established twelve years ago.

We encourage the NCUA Board to establish a FOM rule for federal credit unions that goes as far as the current law permits. Without such true modernization, the opportunities for federal credit unions will continue to lag their competitors – both banks and credit unions with state charters that allow greater FOM diversification.

We appreciate the willingness of the Board to listen to the credit union industry as this proposed regulation is developed. If I can be a source of any further information on this comment letter, please do not hesitate to contact me.

Sincerely,

Gregory W. Gallant
President/CEO