Chevron Federal Credit Union

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James E. Mooney
President & CEO

February 4, 2016

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

RE: Proposed Rule: Chartering and Field of Membership Manual

Dear Mr. Poliquin:

On behalf of Chevron Federal Credit Union, I wish to thank you for the opportunity to comment on the proposed rule amending the Chartering and Field of Membership (FOM) Manual, incorporated as Appendix B to Part 701. We appreciate NCUA's initiative in this rulemaking to provide regulatory relief to credit unions.

We support the proposed rulemaking in virtually all areas. As a multiple common bond credit union, we are especially interested in and wish to offer our suggestions about the specific proposal for a streamlined determination of stand-alone feasibility of groups greater than 3,000.

Under current rules, NCUA conducts a "stand-alone feasibility test" to determine whether a group has the capabilities to feasibly establish a safe and sound credit union. We understand the proposed rule would raise this feasibility test for groups from 3,000 or less to 5,000 or less.

While we are pleased that NCUA is considering this matter, we believe that the proposed incremental change to the rule is far too modest to reflect the very real challenges that small credit unions face today.

Our thoughts may be summarized as follows:

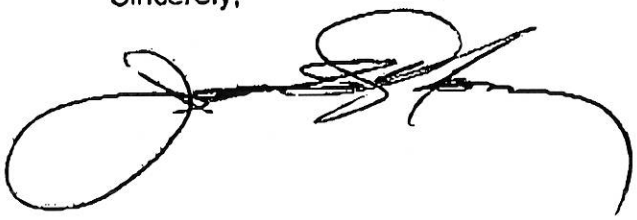
(1) In support of this proposed change, NCUA noted that 80 percent of credit union failures occurred among those with fewer than 5,000 members. We do not believe that the threshold of failure – 5,000 members – is a satisfactory starting point from which to embark on establishing new credit unions.

(2) We observe a strong positive correlation between membership size and operating performance. (See chart below.) As a group, only credit unions in excess of 15,000 members consistently generate earnings (i.e., above 0.50% ROA) and membership growth (above 2.0%) that might realistically sustain viable organizations.

Performance by Membership Size June 2011- June 2015 (Annualized)		
Members	**ROA**	**Membership Growth**
3,000-5,000	0.35%	0.3%
5,001-10,000	0.40%	0.9%
10,001-15,000	0.48%	1.2%
15,001-20,000	0.54%	2.1%
20,001-25,000	0.57%	2.1%
25,001-30,000	0.60%	2.7%
30,001-35,000	0.65%	2.0%
35,001-40,000	0.71%	3.3%
40,000+	0.84%	4.6%

(3) We further note that the above data pertains to *actual* members, not the *potential* members that are considered under the current rule. Recognizing that a new credit union will likely need many years to acquire even a fraction of its potential members, we believe that a 15,000-member threshold is an absolute minimum for determining viability.

As you know, few requests have been made in recent years for new credit union charters. Little wonder. The challenges of starting a new financial institution are daunting, particularly with today's consumer demands for advanced technology and attendant security measures. It is therefore difficult to envision a new credit union developing the resources and capabilities necessary for success without a potential membership of at least 15,000.

Thank you again for the opportunity to comment on this proposed regulation. While the Credit Union strongly supports the proposed amendments to the FOM Manual, I encourage the NCUA to consider our modest suggested revision, which we believe would serve the needs of credit unions while reducing the supervisory burdens on NCUA.

Sincerely,