United Teletech Financial

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February 4, 2016

FEB09'16 PM 3:03 BOARD

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

RE: Comments on Notice of Proposed Rulemaking Regarding Associational Common Bond

Dear Mr. Poliquin:

United Teletech Financial Federal Credit Union is a community chartered credit union serving two counties and an underserved area in central New Jersey. We serve approximately 23,000 families in our communities. As a former SEG based credit union that converted to a community charter, we feel we have a good perspective on field of membership issues facing federally chartered credit unions.

We appreciate the chance to offer comments on the proposed rule changes to the Associational Common Bond. We support the direction of the modernization effort embodied by the proposed changes; they will enable us to serve more consumers that want the services of a credit union. While we are in favor of most of the changes in the proposed it would seem that more could be done to put the federal charter on equal footing with most states. Before commenting on the proposed rule, we first suggest additional improvements that should be included.

Merger Process Improvement

NCUA should facilitate mergers between credit unions with unlike fields of membership when there is no desire to retain the merged credit union's field of membership. This could be done by establishing a process that eliminates the need for a conversion. Currently, the process first requires the charter change be approved so that both credit unions have compatible fields of membership, and then the merger follows.

NCUA could simplify this process by providing clear guidance stating the merged credit union can change its FOM and approve the merger in one step. An update to NCUA's chartering manual would be required for the charter conversion to be completely removed from the process. Also, NCUA should be more flexible (and quicker) to use its merger authority so a Federal Credit Union (FCU) does not have to be in steep decline before NCUA allows a merger with another credit union, which will be less likely to be interested in the merger without assistance from NCUA.

Charter Conversions

NCUA should permit FCUs that convert to a community charter to keep approved groups in their FOMs that are outside the boundaries of their new community. When United Teletech converted to a community charter we had to find replacement credit unions for Sponsor Groups that fell outside of our proposed community boundaries. This proved to be confusing for business owners that had agreed to sponsor us and impacted our reputation.

Credit unions should not fear converting to a community charter and losing previously approved select employee groups (SEG). There are credit unions that have both communities and SEGs in their FOMs because of an emergency merger. This precedent could be extended to conversions so credit unions could switch to the charter that best fits the needs of the credit union while allowing it to continue to serve and add new member from a SEG. One could envision scenarios where fear of losing a SEG could possibly lead to business decisions that are damaging for a credit union in the long term.

State chartered credit unions converting to FCUs should be allowed to keep their current FOMs as well and be allowed to expand based on NCUA's FOM regulations. There is precedence through the emergency merger process for FCUs to have fields of membership that would not be normally allowed under NCUA rules. If these credit unions can keep the members and field of membership that would not otherwise be permissible, then other credit unions should have this opportunity.

Similarly, it would be helpful if the NCUA would address expansion by credit unions with grandfathered FOMs that do not fit under the current or proposed rules. Some credit unions through mergers and other reasons have FOMs that keep them from expanding and serving new members. Often, these are community chartered credit unions that serve FOMs that already fit into one of the well-defined local community (WDLC) categories. For these credit unions to expand, they need to drop communities or convert to a state charter. It would be better if the NCUA could develop ways for these credit unions with legacy FOMs to use the new regulations without dropping their old FOMs and adversely impacting consumers still needing financial services.

Full Narrative Approach

We support the return to the pre-2010 narrative approach for defining a community. The narrative approach is necessary because not all communities fit into NCUA's statistical or single political jurisdiction requirements to be a WDLC. Nonetheless, NCUA's proposed Addition of an Areas Adjacent to a Core Based Statistical Area could give credit unions most of the flexibility lost when the narrative approach was removed from the Chartering Manual as long as NCUA does not impose difficult requirements on its use. To facilitate these kinds of additions and to streamline the process we would request that the NCUA devise some form of "fast-track" approach so that the narrative process needn't be onerous to credit unions seeking to serve members.

Process Reform and Transparency

It would be helpful if the NCUA needs to evaluate further the agency's processes for approving FOM expansion. Many credit unions have complained to CUNA that the FOM expansion applications are onerous. One common complaint is the requirement for marketing plans to demonstrate how a credit union will serve an area. Whether to serve an area should be a business decision for a credit union and not be subject to approval.

We respectfully urge the NCUA to develop methods for automatic approval for FOM expansion for all credit union similar to what NCUA provided in the 2014 associational common bond final rule. For example, if NCUA finalized the use of Congressional districts as a community, then all Congressional districts should be automatically approved for a credit union's FOM. Statistical areas, single political jurisdictions (SPJs), and rural districts also should get automatic approval.

Proposed Rule

Our comments on the various components of the proposed rule follow:

Core Area Service Requirement

We support the proposed change to eliminate the requirement that credit unions that serve core based statistical areas (CBSA) must serve a "core" area. This change provides greater flexibility in serving areas spanning beyond a single county that have not previously been designated as local or do not meet the requirements for being rural districts.

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

We respectfully ask that the proposed population limit of 2.5 million used to qualify as a well-defined local community (WDLC), be eliminated or increased to 10 million. In certain parts of the country this proposed 2.5 million limit is a small area in some of the larger metropolitan statistical areas.

Use of Combined Statistical Areas

We support the change to include Combined Statistical Areas (CSAs) in the definition of a larger WDLC.

Addition of an Area Adjacent to a Core-Based Statistical Area (narrative approach)

We support the proposed change to allow credit unions to serve areas outside of a CBSA or single political jurisdiction (SPJ). We would ask that guidelines be published to create a "fast-track" narrative form that could ease the application to add additional communities. In the past the written narrative approach has been onerous.

Congressional District

We support the change to allow community chartered credit unions to use Congressional districts as a WDLC.

Rural District Population Limits

We support raising the population limitation to 1 million people. Previously higher limits allowed under the current rule should be grandfathered.

Rural District Multi State Expansion

We do not support the requirement that limits rural district credit unions to serving only those states contiguous with the headquarters. The Act gives NCUA the authority to define "rural district." Should not the goal be to bring credit union services to consumers who otherwise do not have access to our services? The only limitation should be the credit union's ability to serve the district, and with the realities of internet banking, a credit union with an acceptable level of online banking services should be authorized to provide membership to people living in rural areas of the country. A population limit serves as an appropriate check on the area a credit union can serve.

Exclusion of Non-Depository Institutions and Non-Community Credit Unions When Calculating the Concentration of Facilities Ratio

We support the 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.

Alternatives to Identify Areas Underserved by Other Depository Institutions

We support the proposed change to consider alternative methods to the concentration of facilities ratio that may more comprehensively reflect underservice by other depository institutions.

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Reasonable Proximity through Members' Online Access to Services

We support the change to "Reasonable Proximity" to amend the definition the "service facility" component to include access through an online internet channel such as a transactional website. We respectfully urge the NCUA to strongly consider extending the same ability for purposes of establishing a presence in an underserved area. This would allow a credit union to target and serve an area that might otherwise be underserved.

Inclusion of Select Employee Group Contractors in a Multiple Common Bond

We support the proposed amendment to extend to multiple occupational common bond credit unions the ability to add persons who work regularly for an entity that is under contract to any of the multiple SEG sponsors listed in its charter, provided the contractor has a "strong dependency relationship" with the sponsor.

Inclusion of Office or Industrial Park Tenants in a Multiple Common Bond

We support the change that would allow multiple common bond credit unions to include as an SEG the employees of a park's tenants in its FOM. We respectfully suggest that the NCUA provide flexibility and clarification as to what documentation will be needed to demonstrate the presence of a group in a facility. Many properties are managed in many different ways. Therefore, as long as the credit union can demonstrate sufficient verifiable knowledge of a valid tenant, that should suffice for purposes of the rule. We suggest NCUA provide additional clarity as to the examiner expectation in this area.

We also respectfully suggest that 5,000 employees would be a better threshold for the number of employees working at a facility or industrial park. Some industrial parks can be quite large and contain large numbers of employees.

Streamlined Determination of Stand-Alone Feasibility of Groups Greater than 3,000

We respectfully ask that the NCUA consider increasing the threshold to determine viability of a new credit union from 5,000 to 10,000. Based on NCUA's own statistics, the difficulties in creating a new credit union and one that would be viable is extremely difficult in this day and age.

Other Persons Eligible for Credit Union Membership

We support the change to 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.

Trade, Industry or Profession (TIP)

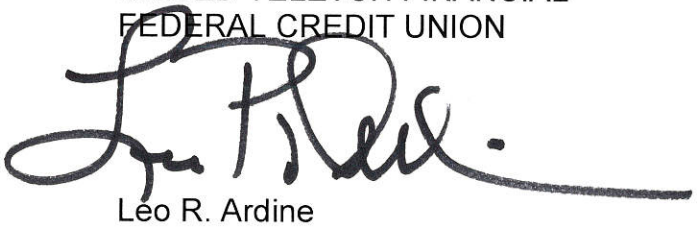
We support the expansion of the definition of a TIP charter to include those vendors, contractors, or other groups closely associated with a particular Trade or Industry. We ask that the NCUA eliminate geographic limitations for TIPs. A geographic restriction is not required by statute since a TIP is a single common bond FCU. Moreover, 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." It would seem logical to remove this mandate allowing other credit unions to explore the desirability of operating with a TIP charter. Modern technology certainly allows a credit union to address any membership service concern that NCUA may have had when it first imposed this geographic limitation.

Conclusion

United Teletech Financial Federal Credit Union supports the NCUA's proposed FOM rule. If you have questions or would like to discuss these comments in more detail, please feel free to contact me at lrardine@utcu.org or 732.510.8100, extension 3001.

Sincerely,

UNITED TELETCH FINANCIAL
FEDERAL CREDIT UNION



Leo R. Ardine
President/CEO

Copy to: R. A. Kluin, Chair UTF FCU
C. Abeel, Acting President/CEO, NJCUL