



Submitted via email: regcomments@ncua.gov

Feb. 4, 2016

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

Re: Notice of Proposed Rulemaking Regarding Associational Common Bond
RIN 3133-AE31

Dear Mr. Poliquin:

On behalf of Wisconsin's credit unions® and their 2.71 million members, the Wisconsin Credit Union League welcomes the opportunity to comment on the National Credit Union Administration's (NCUA's) notice of proposed rulemaking to comprehensively amend its chartering and field of membership (FOM) rules.

We fully back the NCUA in its efforts to maximize public access to federal credit unions (FCUs). We believe this proposal is a "win-win-win" for the American public, for FCUs, and for the credit union industry overall:

- The changes would make it easier for FCUs to extend service to areas that now may have little access to mainstream financial service providers. As a result, the changes would help to make responsible, affordable financial resources available to many more Americans, especially those of modest means.
- Streamlining the FOM rules will provide much-needed regulatory relief to FCUs. The current FOM regulations include uncalled-for limits on FOM chartering and expansion – beyond the statutory constraints of the Federal Credit Union Act (FCU Act). While these changes would broaden certain restrictions, the NCUA's regulations would still remain well within the bounds of the FCU Act, despite bankers' unfounded arguments to the contrary.
- The changes would benefit state-chartered credit unions, as well. We firmly believe in a robust dual-chartering system for the credit unions nationwide. Giving FCUs more flexibility to choose the appropriate FOM to meet the needs of their communities would enhance safety and soundness, foster competition, and encourage cooperation in the industry as a whole.

All-in-all, we applaud the NCUA's efforts to overhaul the federal FOM framework, although we believe that the NCUA could go even further to modernize its rules, broaden access to FCUs, and provide regulatory relief.

Community-Chartered Credit Union Issues

Under the FCU Act, FCUs with a community common bond are limited to "[p]ersons or organizations within a well-defined local community [WDLC], neighborhood or rural district." To qualify as a WLDC or rural district, the NCUA requires the area to have "specific geographic boundaries." Currently, NCUA sees two geographic units as meeting the WDLC standard: A single political jurisdiction or a U.S. Census Bureau-designated Core Based Statistical Area (CBSA)

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with a population of less than 2.5 million. Under either option, an FCU must demonstrate its ability to serve the proposed community by submitting its business and marketing plans along with its FOM application.

The NCUA has proposed seven common-sense improvements to the FOM regulations for community-chartered FCUs. Several are especially noteworthy.

- It would eliminate the requirement that an FCU wishing to serve a CBSA must serve its “core” – the largest city or county within that CBSA. This change would allow a community chartered FCU to serve a portion of a CBSA rather than requiring that FCU to include the core. It recognizes the reality that FCUs serve various communities that do not necessarily contain a “core” area but still have strong social and economic bonds. The requirement to serve a core area is not part of the FCU Act, and the NCUA should not impose such a limit, which can divide geographic areas into segments that do not, in reality, represent genuine communities. Eliminating this barrier would free community FCUs to serve large metropolitan communities that are not dominated by a single large city or county.
- Under current rules, an FCU can only serve a CBSA if the entire CBSA has a population of less than 2.5 million. Larger CBSAs, under the current rules, cannot be used as WDLCs for FOM purposes. The proposed change would allow a portion of a CBSA to qualify as a WDLC so long as the population of that portion, itself, does not exceed 2.5 million. This change would open 21 new CBSAs nationwide for use as an FCU’s WDLC.

We support this change. It makes no sense to apply the 2.5 million population cap to the whole CBSA if the credit union only seeks to serve a portion of it. But we urge the NCUA to go even further and increase the 2.5 million population limit or eliminate it altogether. The FCU Act does not require that cap, and it serves no reasonable purpose. Rather than set an arbitrary population ceiling, the NCUA should approve FOM requests based on the FCU’s demonstrated ability to serve members within a community, regardless of population.

- Similarly, the proposal would increase the population limit for rural district charters to 1 million – up from the current limit of 250,000 or 3% of the population of the state in which the majority of the district’s population is located. That’s a step in the right direction, but again, this arbitrary cap should be eliminated completely. If an FCU shows that it can serve members within a larger rural district – which has become increasingly feasible with online banking services and other technological advances – why prohibit those people from joining the FCU?
- Finally, the proposal would also allow Congressional districts to serve as WDLCs – an eminently sensible provision, since Congressional districts by definition represent geographically contiguous communities with shared interests. It is difficult to fathom a reason such a district could not serve as the basis for an FOM.

Multiple Common Bond Credit Union Issues

The FCU Act authorizes multiple common bond credit unions to expand through the addition of select groups having dissimilar common bonds, provided such a group does not exceed 3,000 members and the credit union has a service facility within “reasonable proximity” to the location of the group.

The NCUA’s current FOM rules heap additional restrictions on top of the FCU Act’s requirements. The NCUA’s proposed changes would make it easier for multiple common bond FCUs to serve potential members within the constraints of the FCU Act. We support those changes and want to highlight several of them.

- In particular, we strongly favor the modernization of the requirement for “reasonable proximity” to a group, to recognize the impact technological developments have had on financial services and consumer behavior. Under the current rule, “reasonable proximity” requires an FCU to establish a branch, mobile branch, shared branch or its own electronic facility. The proposal would amend this to include online access, such as through a transactional website or mobile platform. The change would allow a common bond FCU to add a group to its FOM based on that group’s ability to access services electronically (so long as the system can accept shares and loan applications or disburse loan proceeds). This change would be particularly welcome as credit unions (and other financial institutions) transition from physical branches to electronic services. If the regulation is not amended to keep pace with evolving technology, consumers and credit unions would be penalized for adopting modern methods to serve and grow their memberships.
- In the past, NCUA has recognized industrial parks as a special type of community charter. It now proposes to let a multiple common bond credit union include as a Select Employee Group (SEG) the employees of an industrial or office park’s tenants, provided that: 1) each tenant within the group must have fewer than 3,000 employees working at a facility within the park and 2) only those employees who work regularly at the park during their employer’s tenancy would be eligible for FCU membership. While we support the change, the conditions seem somewhat vague. For example, more and more employers allow office staff to work from home or telecommute. Would such employees be deemed to “work regularly” at the tenant’s office park location?
- Finally, NCUA proposes authorizing FCUs to include within their common bond the honorably discharged veterans of any branch of the U.S. Armed Forces listed in the FCU’s charter. We support any change that helps U.S. veterans access the responsible financial services that member-owned FCUs provide.

Conclusion

We appreciate the NCUA’s work to ease unneeded FOM restrictions on FCUs. While we believe that this proposal should be expanded or clarified in certain respects, we back the NCUA in its efforts to make FCU membership available to more people. We urge the NCUA not to let the unfounded criticisms by commercial bankers dissuade it from taking these steps to broaden the pool of Americans who can benefit from membership in cooperative, member-owned, not-for-profit FCUs.

Thank you.

Sincerely,



Paul Guttormsson
Legal Counsel
The Wisconsin Credit Union League