



February 8, 2016

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

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

Dear Mr. Poliquin:

To begin, we would like to thank NCUA for the process through which this proposal was created. The Board and agency staff very carefully listened to concerns credit unions have regarding the current field of membership model, and that effort is clearly reflected in many aspects of the proposal. We applaud NCUA for recognizing the stagnant nature of the agency's FOM requirements when compared to some innovative state charters. The agency has made efforts to improve several processes for FOM expansion. This proposed rule is the first step in the process of updating NCUA's FOM regulation. While we recognize that NCUA is restricted by provisions of the Federal Credit Union Act (FCUA), we believe there is additional flexibility to update these requirements so they are current with today's economic and technological environment.

What NCUA Should Address in a Final or another Rulemaking

1. Merger Process Improvements - 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 by establishing a process that eliminates the need for a conversion. Currently, the process first requires the charter change be approved so 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.



2. FOM Type 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. 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 members from an SEG.
3. Full Narrative Approach - NCUA should reinstate the pre-2010 narrative approach for defining a community to be used when a community cannot be adequately defined by a statistical area or political jurisdiction. 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 area adjacent to a Core Based Statistical Area could give credit unions most of the flexibility that was lost when the narrative approach was removed from the Chartering Manual, as long as NCUA does not impose difficult requirements on its use.

Comments on Proposed Rule

Below are section-by-section comments on the proposed rule.

1. Population Limit for Well-Defined Local Community Based on Statistical Areas - NCUA should increase the population limit for a WDLC based on statistical areas beyond the 2.5 million in NCUA's current FOM regulation. Raritan Bay FCU recommends that NCUA eliminate the population limit, or if the agency needs a population limit, it should be based on the most populous SPJ. The use of a Core Based Statistical Area (CBSA) or SPJ to define a WDLC in itself limits the population that a credit union can serve as both are made up of finite areas. Furthermore, CBSAs were designed to define communities, so a population limit splits these communities. The population limit is not an FCUA requirement. It appears that NCUA based the population limit on what the United States Census defines as a metropolitan division. Metropolitan divisions serve as subdivision of larger CBSAs. When a CBSA exceeds 2.5 million in population, it can be divided into metropolitan divisions.

Ultimately, the 2.5 million-population limit constrains who credit unions can serve and makes the other proposals for the use of statistical areas less useful. Furthermore, it makes the removal of the "core area" requirement necessary as that requirement, along with the population limit, restricts areas that credit unions

can serve. NCUA's current rules are designed to limit a multiple jurisdiction charter to smaller populations and land areas than enjoyed by SPJs. Instead, the chartering rules should be designed in such a way to allow multiple political jurisdiction community chartered credit unions to expand to the limits set by SPJs.

2. Individual Congressional District as a Well-Defined Local Community - We suggested to NCUA and strongly supports the addition of a Congressional district as a WDLC. A Congressional district inherently defines a community with shared interests. Congressional districts are contiguous in land area and, with an average population of slightly over 700,000, are much smaller than many SPJs. They are also less than the 2.5 million currently allowed for an MSA and the ultimate "political" jurisdiction. An FCU would recognize that the exact boundaries of a Congressional district might change every decade, but it would be able to continue to serve anyone who is a member-of-record at the time of re-districting. Raritan Bay FCU credit unions should be able to include a Congressional district combined with other contiguous communities.

Conclusion

We support the NCUA's proposed FOM rule modification. If you have questions or would like to discuss our comments in more detail, please contact me.

Sincerely,



Ronald C. Behrens, President & CEO