

January 29, 2016

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

RE: Comments on Notice of Proposed Rulemaking for Field of Membership - RIN: 3133-AE31

Dear Gerald Poliquin,

Thank you for the opportunity to comment on the proposed field of membership rule. The Utah Credit Union Association represents 68 Utah credit unions that serve 2 million consumers.

The Utah Credit Union Association strongly supports the changes in the proposed rule, as they will allow more of Utah's consumers to receive service from credit unions. The proposed provisions do a generally commendable job of eliminating arbitrary and restrictive constraints. They will improve the array of strategic options available to credit unions, and likely result in more consumers receiving the benefit of credit unions.

We have a few suggestions for how the rule could improve further.

We recognize that the NCUA is interested in maintaining the dual chartering system. Yet, NCUA should seize every opportunity to allow credit unions to serve more consumers.

In Utah, the state charter offers a membership option not available in the federal charter. Utah state chartered credit unions can simultaneously serve a community and multiple SEGs. This allows credit unions to serve a community and entities related to the community but not necessarily located inside the geographic boundaries of the community. Our Association encourages the NCUA to consider adding a similar provision to its field of membership rules.

A sticking point in the proposed rules is the 2.5 million-person population limit. Simply because a CSA or CBSA has more than 2.5 million people does not mean that it is not a WDLC. It still is—just a larger one. Unless there is specific logic in selecting the number of 2.5 million people—and that logic shows that the number somehow crosses a threshold of not being a local community—this arbitrary limit should be removed.

The process of receiving approval for a new FOM is a concern for some of our credit unions, and we encourage NCUA to streamline that process. Specifically, NCUA should not be in the business of determining if a credit union has the capability to serve a FOM it desires to serve. Rather, this should be a business decision left up to the credit union.

NCUA may argue that the FOM a credit union chooses to serve affects safety and soundness, and potentially threatens the share insurance fund. While this may be true in a roundabout, indirect way, there are many other safeguards in place to ensure that a credit union doesn't cause a loss to the insurance fund. Examiners keep tabs on many aspects of credit union operations to ensure profitability. Credit union executives and boards want to see their credit unions succeed, and will manage the credit union to that end. If they see that trying to serve a particular FOM ends up hurting the credit union, they will curtail those efforts.

Our credit unions have often cited the need to provide marketing plans and proof of ability to serve a market as an obstacle to changing FOMs. By removing this burden of proof, NCUA could improve credit unions' willingness and ability to modify their FOMs and serve more consumers.

For example, one of our credit unions recently spent considerable money, effort, and time requesting expansion to the entire county in which it operates. Approval for a single-county field of membership in a rural area should

not be difficult to obtain, but NCUA rejected the credit union's application twice, requesting additional information each time.

The credit union had to enlist expensive legal help in submitting two more applications and then, according to the credit union, only received approval when an NCUA examiner confirmed that the field of membership made sense for the credit union. By then, the FOM had grown to encompass three counties. Obtaining the original desired one county shouldn't have taken much more work than a phone call or a few papers filed. Instead, the credit union spent considerable resources to pass by the red tape of proving that it could serve the FOM requested.

Furthermore, with the approved FOM, the credit union must now report to examiners on how it is fulfilling its marketing plan, keeping detail records and providing reports to the NCUA on how it is serving the new FOM. This creates unnecessary work and expense for the credit union. Isn't the credit union's health already reflected in its key ratios? Why have to report marketing minutia to examiners?

To be clear, it should not be NCUA's job to determine if a credit union can serve a field of membership. That is the credit union's job. By taking that duty upon itself, NCUA becomes a micromanager of marketing plans. Instead, NCUA should determine if a requested FOM meets FOM rules, and let the credit union have the autonomy to make the business decision on whether or not it can serve the FOM. The credit union knows its operations and the community better than NCUA can, and if it feels it can serve a FOM that meets regulatory rules, it should be allowed to do so. Let it manage the business of serving the market. NCUA's requiring significant proof of ability to serve is an impediment to credit union progress.

Our Association commends NCUA for its efforts to improve credit union ability to serve more consumers, and encourages the NCUA board to consider the changes suggested in this letter, and to pass the rule.

Sincerely,

Stephen Nelson  
VP-Credit Union Support  
Utah Credit Union Association

cc: CUNA, CCUL