



PO BOX 1950
WEST LAFAYETTE, IN 47996
765.497.3328 800.627.3328



January 28, 2016

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

Re: Proposed Rulemaking for Part 701 - Chartering and Field of Membership Manual

Dear Mr. Poliquin:

Purdue Federal Credit Union (Purdue Federal) is pleased to comment on National Credit Union Administration's Proposed Rulemaking for Part 701- Chartering and Field of Membership Manual. We appreciate the NCUA Board reviewing the field of membership (FOM) regulations and enhancing them to provide credit unions more flexibility in providing financial services of greater value to individuals throughout the country. Purdue Federal is in full support of the Field of Membership proposed rule issued by NCUA. We do believe that several of the proposed changes could enhance Purdue Federal's ability to serve those individuals in the communities we serve.

Purdue Federal was founded in 1969 and by employees of Purdue University. We have more than 68,000 members nationwide with total assets just under \$1 billion as of December 31, 2015. We are a multiple common bond credit union with our largest select employee group being Purdue University, in West Lafayette, Indiana where we serve faculty, staff and students. Due to the Purdue University membership base, we have members living all over the world. Our robust electronic delivery channels allow us the ability to continue to provide financial services of great value to them wherever their lives take them after graduation. These proposed changes may open up growth and expansion opportunities for Purdue Federal which will allow us to follow our strategic initiative of growing with Purdue University. As Purdue continues to expand throughout the State of Indiana, we must have the ability to offer financial products and services of value to their employees, tenants, students, etc.

Federal Credit Union's "Reasonable Proximity" through Member Online Access or Services

Purdue Federal strongly supports the proposal to include members' online access to services in determining if a group being added is within "reasonable proximity" to the credit union wishing to add the group to its FOM. In today's ever increasing electronic transaction environment, it makes sense to look beyond brick and mortar locations in deciding whether or not a credit union can meet the needs of prospective members. Overall, in person transactions at branch locations continue to decline for all financial institutions, including Purdue Federal, and are being replaced by electronic transactions. When evaluating financial institutions, quite often consumers rely more on electronic access to services in making a decision more than on how many or where branch offices are located. This is especially true with the millennials who are our future financial consumers. We are concerned with the part of the proposed changes that appears to limit the definition of service area to "one or more discreet political jurisdictions such as a county or a city" in defining reasonable proximity. In the commentary it is stated that, "While the Board historically has discouraged using mileage and distance factors exclusively to define reasonable proximity, it acknowledges that there may be an appropriate level of certainty in also defining reasonable proximity to encompass a city or county jurisdiction." Purdue Federal believes that just as NCUA recognizes the importance of and shift to electronic services, there also should be recognition that electronic services significantly expands the area to which services can be reasonably provided. It is not clear from the commentary if the Board intends to use this revised definition of reasonable proximity to

establish firm limits as to the areas a credit union can reasonably serve, thus overriding its previous statements that mileage and distance factors should not be used exclusively to define reasonable proximity.

Adjacent Areas for CBSA

We are firm believers in the rule component regarding the addition of an area adjacent to a core-based statistical area (CBSA). Under the current regulations, many credit unions may be limited to a single county as the broadest CBSA that could be requested. Many times these single county CBSAs are in less populated portions of the state, which results in forcing interaction and common interests with the surrounding counties or other single political jurisdictions. The ability to add adjacent areas will allow FCUs to serve communities that would otherwise potentially not have access to credit union services. This would assist in our specific situation with Purdue University's northwest Indiana campuses. Currently, we are limited to serving those living in one specific county; however, their campuses span through three different adjacent counties. If we were able to add adjacent counties that connect the two campuses, we would be able to better serve the faculty, staff and students of the regional campuses.

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

Purdue Federal supports the proposal to allow a FCU to add employees of office/industrial park tenants as one SEG to its FOM. We are comfortable with the limitations that each tenant within the group have fewer than 3,000 members and that membership eligibility is only to those employees who work regularly at the park during their employer's tenancy. We also support the inclusion of any new tenants to the industrial park automatically being included in the overall group. Again, for our specific situation, it would simplify and enhance our ability to serve the tenants and employees of Purdue University's research and technology parks around the state.

Inclusion of Select Employee Group Contractors in a Multiple Common Bond

Purdue Federal supports the expansion to multiple group credit unions the ability to add individuals who work regularly for an entity that is under contract to any of the multiple select employee groups (SEG) sponsors listed in the credit union's charter, provided the contractor has a "strong dependency relationship" with the SEG sponsor. Given that there are many instances where large corporations have outsourced certain functions to "independent contractors" as a means to reducing costs, it is important that these individuals that may be doing the same job functions performed as an employee of the corporation do not lose the availability of credit union services because of this new label. Purdue University is a very large institution and it is not uncommon for many functions to be outsourced on a regular basis. It makes sense these individuals have access to a credit union membership and are allowed access to financial services of a fair value to meet their financial needs.

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

Purdue Federal supports the proposed multi-tiered evaluation approach for the addition of employee groups by multiple common bond credit unions. We agree that no change is necessary for groups with total employees less than 3,000. We support the less strenuous feasibility test for groups between 3,000 and 5,000. We concur with NCUA's assessment that groups of this size have demonstrated a greater likelihood that it would not be feasible to start their own credit union. This ruling change would allow us to be better prepared for future growth in the state as more industries enter into the State of Indiana. It will also assist us in future opportunities to expand in new markets without the burden of the size of the employee group limiting our growth opportunities.

Merger Enhancements

Although the proposed rule touches on many areas to assist credit unions to expand, one area that was not included in this proposed rule was anything related to adjusting merger regulations. We would like to see the proposed rule changed so any credit union should have the ability to merge with any other credit union and the field of membership should end up being the combined fields of membership of the two entities. For example, if a multi-SEG FCU (CU1) wants to merge with a community FCU (CU2), the new FOM of the combined FCU should be the list of SEGs of CU1 plus the community served by CU2. Under the current rules, the combined



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entity would have to give up the community of CU2 which ends up being a loss of potential membership for the combined entity. It seems very unreasonable for the new entity to lose the potential FOM of the merged credit union. The combined entity should be able to serve the same SEGs and communities that the two entities were serving prior to the merger.

NCUA wants credit unions to be strong, efficient, and healthy credit unions. Size is the key determining factor in operating efficiently, so mergers will continue to happen. It does, however, become difficult to create a strategic merger with some smaller CUs when the FOM is stripped away in a merger. Many small CUs have moved to a community charter to survive so this FOM flexibility in merger situations could increase the number of strategic mergers. NCUA already exercises this merger flexibility in the case of "emergency" mergers, so keeping the rules consistent across all merger type situations would be very beneficial for the growth and stability of credit unions.

Thank you for the opportunity to comment on the proposed Chartering and Field of Membership Manual revisions. We are encouraged that NCUA was willing to approach this revision in a way that provides greater flexibility to credit unions wishing to serve a broader FOM than what we currently are allowed. Purdue Federal encourages NCUA to continue to look at regulations from the standpoint of not regulating beyond what is required by the FCUA. NCUA can continue to monitor safety and soundness through the examination process, and does not need to address "potential" safety and soundness concerns with tedious regulations.

We sincerely appreciate the opportunity to comment on NCUA's Proposed Rulemaking for Part 701-Chartering and Field of Membership Manual. Please contact me for clarification or further discussion at my direct line 765-497-7420 or email jhofman@purduefed.com.

Sincerely,

A handwritten signature in cursive script that reads "Jacqueline D. Hofman".

Jacqueline D. Hofman, Vice President
Human Resources and Marketing