

From: [Queen of Peace Arlington FCU](#)
To: [Regulatory Comments](#)
Subject: Daniel Morrissey -- Comments on Notice of Proposed Rulemaking for Part 701
Date: Thursday, January 16, 2014 9:22:14 PM

To: National Credit Union Administration

Date: January 16, 2014

Thank you for the opportunity to comment on the proposed rule “12 CFR Part 701 RIN 3133-AE34 Requirements for Contacts with Federal Credit Unions”<?xml:namespace prefix = "o" ns = "urn:schemas-microsoft-com:office:office" />

I oppose nearly all aspects of this proposed rule and recommend that the NCUA Board take a very different approach to address the issues and alleged problems with certain credit unions. I believe credit unions, as member owned cooperative financial institutions should have the option and flexibility to operate from the widest possible choices of locations, including from a residential address, as long as all the requirements applicable to all credit unions are maintained.

While the Queen of Peace Arlington FCU does not currently operate from a residential address, we do use a residential address as one short-term disaster recovery site or a site should, for some reason, our current, normal space have limited availability. Such a residential site, for example, might be used for a short term transition period until the regular office space became available or an alternate site could be arranged. The way I read the proposed rule, any such use of a “residential address” would be absolutely prohibited. It would, I believe, be potentially costly to have a guarantee that a residential address never be used, even for a short period. In fact, a number of years ago, during a several month period, this credit union was based in our home because of an issue of our use of the sponsor’s location. Once that issue was resolved, the credit union returned to the sponsor’s property. During that period, had this rule been in effect, I seriously doubt that we would have been able to continue the operation of the credit union.

In the “Background” section of the proposed regulation, I believe it is misleading to state or imply that NCUA Examiners only work “on-site at credit union locations”. In fact, it is my understanding that NCUA Examiners spend considerable time working from their homes.

In regard to the proposed requirement that credit unions have either an electronic mail address or telephone number dedicated exclusively for the credit union's business purposes, this is the one part of the proposed regulation that I support. I would only suggest that the term "primarily" replace the term "exclusively". This is not a burdensome requirement and both credit union members and the NCUA have, I believe, a very justifiable need for such access. I was very puzzled, though, by quoted comments from several NCUA officials that the only way NCUA has been able to contact a credit union is to show up in person and knock on the door. It is my experience that the mandatory, quarterly filing of the 5300 Call Report and Profile requires two emergency contacts with telephone numbers, as well as telephone numbers for both the credit union's Board Chair and Supervisory Committee Chair. If there are any credit unions, whether home based or not, that are not supplying this, apparently required information, then I suggest that the problem is not with being home-based, but rather compliance with or enforcement of the quarterly reporting.

The proposed regulation seems also to prohibit many types of working from home by a credit union manager where the office (not in a residence) has limited availability for accomplishing necessary tasks and where such tasks must be accomplished within certain times. For example, collection calls might need to be made in the evening or on weekends, or the 5300 Call report is due. Without certain credit union records taken home, these tasks could not be accomplished.

"In the federal credit union's offices" or "public location" are proposed to be the only two acceptable choices for meetings with the NCUA. It is very common that the actual offices (not in a home) of a credit union are not adequate for such meetings and such meetings with the NCUA regularly take place in nearby sponsor meeting or conference rooms (or similar places). Such meeting rooms are not open to the public, nor are they the actual offices of the credit union. I suggest that the wording of the proposed regulation clarify that "open to the public" not be a requirement for such meetings.

In trying to understand and comment on this proposed rule, there seems to be considerable divergence between the actual rule and the justification used by NCUA Board members, some NCUA staff, and articles in the trade press. One such article stated that federal credit unions would be required to operate in "commercial buildings zoned for commercial use". In the NCUA Board discussion, I believe the requirement was stated that "Retail Office Space" would be required. It seems, although I do not know, that there may be a lack of clarity and consistency in various drafts of this proposed regulation within the

NCUA – a situation pointed out by Board member Fryzel during the NCUA Board discussion. If the actual requirement or interpretation of the requirement would be “zoned for commercial use” or a “retail location”, then it might be argued that credit unions located in many types of sponsor facilities do not literally meet that standard.

With regard to Examiner safety, I disagree with the stated assertion that it is somehow more dangerous for an examiner to be in a rural area because the examiner might be “isolated in a remote location.” Having spent the first 21 years of my life living on a farm in a rural area, I can assure you that personal safety of persons is almost certainly better in that rural area than in a large number of locations of credit unions in densely populated non-rural areas, including some areas very close to the headquarters of the NCUA.

Home based credit unions should, in my opinion, be required to meet all the requirements that other credit unions must meet. Just as NCUA examiners may cite our credit union if storage cabinets were left unlocked or in an insecure area of the credit union office, so also should a home based credit union be cited for similar lacks of security. The decision to base a federal credit union’s operation in a residence should be a documented decision of the credit union’s board – just as NCUA Examiners might review our vendor due diligence for our selection of a vendor, engaging in a contract for services and so on. Having current and adequate bond and applicable insurance to cover the operation of a home based credit union, specifically identifying the specific location (in a home) in the bond/insurance policies should also be a requirement – just as NCUA examiners may review such bond and insurance policies and documents for our credit union. Even the concern over an “aggressive animal” is not eliminated in a credit union office not located in a home. I once had occasion to meet with the CEO of a large, full service credit union and her dog was a regular and constant occupant of her office.

Again, I urge the NCUA Board to approach all the issues raised that are being used to justify this proposed rule in a completely different way and not decide that banning all home based credit unions is required or will even solve all the stated problems.

Thank you very much.

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