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VIA E-MAIL TRANSMISSION
regcomments@ncua.gov

January 23, 2014

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

**Re: *Notice of Proposed Rulemaking for Part 701
Requirements for Contacts with Federal Credit Unions.***

RIN 3133 – AE34

Dear Mr. Poliquin:

The purpose of this letter is to comment on the NCUA's Notice of Proposed Rulemaking on requirements for contact between NCUA examination staff and federal credit unions (the "Proposal"). While I respect the NCUA's good intentions in promulgating this rule, it is my opinion that the conditions in the Proposal could result in extreme financial distress and force the merger/closure of many federal credit unions that would be affected.

The provision in the proposed rule that would require federal credit unions (FCU) to maintain at least one method for members and NCUA staff to contact the credit union is logical and not subject to dispute here.

However, there are three provisions in the rule that are a concern: meetings between a FCU and NCUA staff must occur at a FCU commercial office or public location, NCUA visits to private residences are to cease, all FCU must be located in a business office within two years of the proposed final rule effective date. The rule specifically excludes a business office located at a private address. These comments will address those three provisions and also address the unique role to the home-based credit union in the credit union movement.

Mandating the meeting at a FCU commercial office or public location

The purpose of the NCUA is to ensure the safety and soundness of the credit union system. If a credit union is operating in a safe and sound manner then its location should not be a concern to the NCUA.

NCUA staff visits to private residences or on the premises of a private residence to cease

If an examiner has safety concerns about an individual home-based credit union, the examiner should work with that specific credit union to address them. Safety concerns are not limited to just home-based credit unions. Every time an examiner enters a credit union there is the risk that he or she could be caught in the middle of a robbery or other dangerous situation. I speak with experience on this having been violently assaulted in a takeover style armed robbery. Had an examiner been on premises at that time he or she could have been the victim of the violence I experienced. It should also be pointed out that the two worst terrorism attacks on American soil (Oklahoma City and the World Trade Center) destroyed credit union offices and took the lives of credit union employees. None of those examples occurred at home-based credit unions.

Home-based credit unions to obtain a business office, not located at a private address

All small credit unions are acutely aware of the pressures placed on them in the current financial environment. Occupancy costs are a major expense for many. The home-based credit unions have a business model that allows them to serve their owner-members based on their current cost structure. To impose significant new costs would likely lead many to either merge or liquidate.

Over time, many of these home-based credit unions may decide that their business model is no longer relevant to their member needs. If so, that will be a market-based decision on their part. It should not be imposed on them by their regulator.

The unique role of the home-based credit union in our movement

The home-base credit union has a unique place in the history of the credit union movement. Many credit unions in existence today, including some of the very large ones, can trace their origins back to being operated out of a volunteer's home, their briefcase, or a car. Very few organizations that have the current scale of the credit union movement can trace their roots back to that beginning. It is as much a part of the credit union DNA as the Wright brother's bicycle shop is to aerospace or Hewlett & Packard's Palo Alto garage is to the tech industry.

The symbolism of the home-based credit union is very important to the identity of the credit union movement. What are the core differences between credit union and banks? Credit unions are controlled by volunteer members. Their mission is to serve the financial needs of their members, not make a profit for stockholders. Nowhere is this more apparent than in the home-based credit union.

It is true that the home-based model no longer fits the needs of the vast majority of credit unions. Our world changes and credit unions have changed with it. Yet, a small number of home based

credit unions cling to the original credit union model. We should cherish them and support them in whatever way we can. Instead, this proposed rule would effectively end them.

Our tax exempt status is under threat now more than at any other time. We need the few remaining home-based credit unions to illustrate why credit unions are different and why we deserve our tax status. Now is not the time to cripple them.

Conclusion

The credit union I manage began operating out of one person's briefcase on an Army air base during World War II. While this credit union grew, it remains by definition a small credit union. Although we serve our members in different ways, we share an affinity with our fellow small credit unions that are home-based. Instead of enacting this rule, I urge the NCUA to work in cooperation with the previous few remaining home-based credit unions to preserve them.

Sincerely,

A handwritten signature in cursive script that reads "Michael Daugherty". The signature is written in dark ink and is positioned centrally below the word "Sincerely,".

Michael Daugherty, CPA
President/Manager
Community Plus Federal Credit Union