

January 23, 2014

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

RE: Comments on Proposed Rulemaking for Part 701

Dear Gerald Poliquin,

I am writing on behalf of the California and Nevada Credit Union Leagues (Leagues), one of the largest state trade associations for credit unions in the United States, representing the interests of more than 400 credit unions and their 10 million member-consumers. The Leagues welcome the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule directed at home-based federal credit unions, Requirements for Contacts with Federal Credit Unions. The Leagues vigorously oppose the proposed rule and respectfully submit the following comments.

Offices and Alternative Public Locations – Part 701.40 (a), (b)

The proposal requires that any meetings between an FCU and NCUA staff occur at an FCU's offices (excluding homes or residential locations) or another alternative public location.

Further, effective two years after a final rule, FCUs would be required to maintain at least one office in a building that is accessible to credit union members during the federal credit union's normal business hours. Office space maintained in a home or on the premises of a residential address would not meet this requirement.

Examiner Safety

The NCUA has attempted to justify these changes based on examiners' concerns about working conditions and safety. The Leagues cannot imagine that all home-based FCUs pose hazards or safety risks. Further, obtaining an office location does not guarantee unfavorable working conditions and safety issues will not exist. Who says all commercial office locations are safe and hazard free?

Examiner safety is better addressed directly with an individual credit union, when legitimate hazards or safety issues exist, whether in a home-based or commercial office location. The NCUA should not attempt to correct isolated issues through a rulemaking that applies to all FCUs.

Alternative Public Locations

The Leagues strongly oppose the notion of holding meetings between an FCU and NCUA staff at alternative public locations and transporting necessary records to such a location.

The proposal lists examples of acceptable alternative public locations, such as restaurants, hotel lobbies or meeting rooms, libraries, and community centers. However, due to the sensitive nature of discussions that take place between the FCU and NCUA staff, as well as the records that must be delivered to NCUA, FCU officials and NCUA staff must find a meeting space that complies with NCUA's privacy regulations. The proposal suggests the meeting space be in a separate area, such as a conference room in a hotel, library, or community center.

The Leagues are very concerned with the privacy, confidentiality, and security of member records being transported back-and-forth to an alternative public location and we find this unacceptable. Additionally, it would be very burdensome for a small home-based credit union to meet with examiners at an alternative location. Doing so likely will mean their credit union would have to be closed to their members while the credit union employee travels to an alternative location to deliver records and meet with an examiner. This is an unacceptable burden and a disservice to credit union members.

Office Location

The Leagues adamantly oppose the requirement that home-based federal credit unions, within two years of a final rule, maintain at least one office in a commercial building. FCUs have been operating from home-based locations since the enactment of the Federal Credit Union Act (Act). In fact, many large, successful credit unions got their start from modest home-based locations. To now prohibit home-based credit unions and require they obtain office space would be a shame for the credit union industry.

A credit union's members and board should determine whether the credit union's location meets the needs of its members. When a credit union provides excellent member service, meets their members' needs, and is relevant to its members, then the credit union will thrive. The NCUA cannot assume that member accessibility is an issue just because a credit union operates out of a home. For example, the location and operating hours of a home-based credit union in a rural area could be much more convenient for its members than if that same credit union had to find office space in a town. Member convenience is a huge factor that the NCUA seems to be ignoring.

The Leagues are also very concerned with the compliance cost of the proposed rule. Credit unions continue to struggle with high regulatory burden. To add, in our opinion, another unnecessary burden and the costs to obtain office space may be the straw that breaks the camel's back. The costs will likely cripple most of the affected credit unions and result in mergers.

Required Communication Services – Part 701.40(c)

The proposal requires FCUs to maintain and monitor either an email address or a telephone number or both. The email address or telephone number must be dedicated exclusively for the FCU's business purposes, and authorized credit union officials must monitor them regularly.

The Leagues do not oppose this proposed requirement. However, we caution the NCUA and its examiners to be flexible in the enforcement of this rule. The standard to "regularly monitor" is very subjective and a credit union's frequency of monitoring may be in perfect sync with their members' needs.

Records – Part 701.40(b)

The proposed rule would prohibit storage of FCU records at residential locations and require the records be stored either at the FCU's office location or another commercial location designed for secure records storage.

The Leagues do not support this requirement. All FCUs are subject to Part 748, Appendix A regarding Safeguarding Member Information and Part 749 for Records Preservation. When a home-based FCU has the ability to comply with these rules and guidelines and properly secure and protect member data, a commercial storage location is not required. Examiners have the ability to address records storage on a case-by-case basis, rather than imposing a blanket requirement for all home-based FCUs.

In conclusion, the Leagues do not feel the proposed requirements are justified and the changes would likely result in the closure of most, if not all, home-based credit unions. It should be a credit union's members and board that determine whether a change in location is necessary. As long as the credit union meets NCUA's safety and soundness requirements and properly stores its records, they should be left alone to serve their members as their members see fit.

Thank you for the opportunity to comment on the Proposed Rule and for considering our views.

Sincerely,

Diana R. Dykstra
CEO/President
California and Nevada Credit Union Leagues

cc: CCUL