



January 23, 2014

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

Re: Requirements for Contacts with Federal Credit Unions; RIN 3133-AE34

Dear Mr. Poliquin:

The Ohio Credit Union League (OCUL) appreciates the opportunity to comment on the National Credit Union Administration's (NCUA) Proposed Regulation on Requirements for Contacts with Federal Credit Unions.

OCUL is the trade association for credit unions in Ohio and advocates on behalf of Ohio's 349 federal- and state-chartered credit unions, serving 2.7 million members. The comments reflected in this letter represent the recommendations and suggestions that OCUL believes would be in the best interest of Ohio credit unions.

Background

NCUA proposes to require that any meetings between a federal credit union (FCU) and NCUA staff occur at an FCU's offices or another alternative public location. The proposal excludes from the definition of "office," private homes, as well as separate areas of residential premises. Also, the FCU would be required to have in place a dedicated phone number or e-mail address for contact with NCUA and members.

Within two years of the rule's effective date, all FCUs would be required to maintain a business office that is not located in a personal residence and would not be able to store required records at residential locations.

OCUL opposes many parts of the proposal as unnecessary, and further, as a burden that endangers the survival of many smaller credit unions. Increasingly, the agency is developing regulations to address issues that should more appropriately, more effectively, and more efficiently be dealt with on an individual credit union-problem basis. Rules should not be issued to address singular or isolated problems. A professionally-operated financial institution should be able to operate from a residence as long as it meets legal and regulatory requirements.

Safety and Soundness

While OCUL strongly supports appropriate member and examiner access as well as safety and soundness for credit unions of all asset sizes, OCUL disagrees with the agency's assumption that problems of a few home-based credit unions are characteristic of all members of that group. OCUL further observes that the perceived threats to examiners do not appear to be so threatening that a rule must be issued to address the perceived problem.



The data does not support this rule on a safety and soundness basis, which must be the primary rationale for any new NCUA regulation. NCUA's own statistics do not support the conclusion. As stated in the proposal, NCUA has identified approximately 95 remaining home-based, federally-insured credit unions. These are credit unions operated out of a home or on the premises of a home address, such as in a garage, sunroom, or basement apartment. Eighty-one of these are FCUs, with assets ranging from \$34,000 to \$12,000,000. Most of these FCUs are very small; 34 have assets below \$1,000,000 and 38 have assets between \$1,000,000 and \$5,000,000.

The Credit Union National Association's Economics Department has analyzed the 81 FCUs that would be subject to the rule if adopted. These credit unions collectively have less than \$150 million in insured shares, or about 0.017% of total insured shares. That amounts to less than two one-hundredths of a percent of insured shares. Moreover, the group's average net worth is 15.64%. While based on operating results from December 2007 to September 2013 there was a median annual decline of 27 members for the group, other similarly-sized credit unions saw larger membership declines and almost 30% of home-based credit unions experienced membership increases. Home-based credit unions as a group experienced an 11% increase in total assets for the same time period.

OCUL's position is that the magnitude of risk that the entire group of 81 FCUs might potentially pose to the Share Insurance Fund is miniscule, and therefore, the proposed rule is not necessary. Instead, it is punitive towards these small survivors who represent credit union movement history.

Examiner Convenience

The main impetus for the proposal appears to be concerns for examiners' safety and convenience. However, the agency has not provided sufficient examples to demonstrate that its employees are not safe or are inordinately inconvenienced by entering a private residence for a few hours to review the records of a small credit union. Imposing new rules to address anecdotal examiner safety issues is a slippery slope that NCUA should avoid.

Traveling to credit unions is a part of an NCUA examiner's job – no matter whether the FCU is located in a high-crime neighborhood or in an isolated, difficult-to-reach rural area. Location of a credit union in a private residence surely does not present more risk than some of these situations.

OCUL notes that NCUA has authority under the Federal Credit Union Act to address NCUA staff safety without imposing this proposal. If the location of a credit union presents hazards for NCUA staff - for any legitimate reason - NCUA should address the issue directly with the credit union on an individual basis.

Monitoring Telephone Number, Electronic Mail

Under the proposal, FCUs would be required to maintain and monitor telephone numbers or electronic mail addresses, or both. While this requirement sounds reasonable, OCUL requests that some flexibility provided by way of exceptions if the rule is adopted. In addition, member access through the U.S. mail should be an option.

Most home-based credit unions offer a very limited selection of services. Some operate during nonbusiness hours to accommodate their members' needs. Such limited access is apparently acceptable to members who continue to belong to the affected credit unions. In light of this, OCUL urges NCUA to modify the requirements for an FCU which can demonstrate that the requirements for providing and monitoring telephone or e-mail access would be unduly burdensome.

Mr. Gerard Poliquin, Secretary of the Board
National Credit Union Administration
January 23, 2014
Page 3

NCUA's Rules on Records Preservation

NCUA is concerned that many home-based federal credit unions are storing records in areas where they are at risk for accidental destruction, such as in basements near water heater tanks. There may also be risks that member privacy may be jeopardized if records are stored where other residents of the household could access them.

Security of an FCU's records is indeed important, however, NCUA regulations already place requirements of record retention methods and protection of members' private non-public information. If home-based credit unions are meeting NCUA's requirements for records preservation and privacy then there should be no greater or lesser risk to members from a credit union with commercial office space.

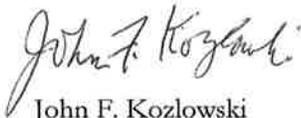
Conclusion

OCUL urges NCUA to withdraw its proposal prohibiting credit unions from using residential locations to conduct contact with NCUA examiners and store credit unions records. NCUA has not demonstrated a significant, or even more than minimal, risk to general safety and soundness of the NCUSIF posed by allowing these small survivors to continue to serve their members in the manner to which they have been accustomed.

While on the face of it, a proposal to require an FCU maintain and monitor a telephone number or electronic mail address is reasonable, OCUL urges NCUA to allow more flexibility in such contact requirements, perhaps by allowing maintenance and monitoring of a U.S. Mail address as an alternative, depending upon the circumstances particular to each credit union.

The Ohio Credit Union League appreciates the opportunity to provide comments on the NCUA's proposed rule on Requirement for Contacts with Federal Credit Unions, and is available to provide additional comments or information on this proposal if so requested. If you have any questions, please do not hesitate to contact me at (800) 486-2917 or jkozlowski@ohiocul.org.

Sincerely,



John F. Kozlowski
General Counsel



Carole McCallister
Manager, Regulation & Information

cc: Barry Shaner, OCUL Chair
OCUL Board of Directors
OCUL Government Affairs Committee
Paul Mercer, OCUL President