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June 20, 2014

Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314

VIA ELECTRONIC DELIVERY: regcomments@ncua.gov

RE: Comments on Notice of Proposed Rulemaking Regarding Associational Common Bond

Dear Mr. Poliquin:

The Minnesota Credit Union Network ("MnCUN") appreciates the opportunity to comment on the notice of proposed rulemaking on the National Credit Union Administration's ("NCUA's") Chartering and Field of Membership Manual and specifically the proposed amendments regarding the associational common bond provisions applicable to federal credit unions.

By way of background, MnCUN represents the interests of Minnesota's 132 credit unions and their over 1.6 million members. MnCUN appreciates NCUA's concern and actions to ease the regulatory burden on credit unions. However, MnCUN is concerned with the implementation of this proposed rule for federal credit unions and the practices and procedures that would be implemented by NCUA. MnCUN is also concerned that NCUA's reaction based upon a few credit unions' actions may cause an unintended and undue hardship upon all credit unions. MnCUN offers this correspondence as commentary to NCUA on the proposed rule and urges NCUA to provide further clarification and reconsider certain aspects of the proposal.

Section III. A.1.b Pre-approved Groups

MnCUN appreciates NCUA's efforts to provide regulatory relief to credit unions. Specifically, MnCUN appreciates NCUA's proposal to automatically approve certain associations as satisfying the associational common bond requirements. As NCUA stated, these certain groups have, for the most part, been approved in the past and therefore it only makes sense to ease the burden upon federal credit unions through automatic approval into a federal credit union's field of membership.

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Section III. A.1.a Threshold Requirement

MnCUN is concerned with the proposed threshold requirement specifically targeting the purpose for which an associational group is formed. The proposed threshold requirement, "if the association has been formed primarily for the purpose of expanding credit union membership" is wide ranging. MnCUN is concerned with how NCUA will conclude whether or not a federal credit union passes this threshold. Will there be certain criteria that are not published within the proposed rule? MnCUN urges NCUA to provide guidance and/or factors as to what will be reviewed by NCUA for the threshold requirement allowing federal credit unions to better understand and prepare for meeting the requirement.

MnCUN also asks NCUA for clarification regarding footnote seventeen (17) within the Summary of the Proposed Rule. The footnote states, "[i]n furtherance of this [threshold] requirement, the association must have been operating as an organization independent from the requesting FCU for at least one year prior to the request to add the group to the FCU's FOM." MnCUN asks for clarification as to this footnote. Is this requirement integrated into the proposed rule, or is it treated as examination guidance? MnCUN also asks NCUA to provide reasoning behind the one year requirement. In addition, it is unclear what "operating as an organization independent from the requesting FCU" means. This requirement appears similar to the proposed corporate separateness factor that is within the totality of the circumstances test.

Section III. A.1.a Corporate Separateness

MnCUN is concerned with the proposed expansion of the totality of the circumstances test by adding criterion regarding "corporate separateness." In addition to the disadvantage federal credit unions will have with adding an association to their field of membership, the proposed addition causes a disincentive to federal credit unions from creating associations, especially foundations.

Associations, and specifically, many foundations, are created and partially funded from a related organization. Without this funding, many foundations would initially be challenging to create, and ultimately would not survive without such direct support from a parent organization. In that same regard, a federal credit union wanting to do more in its community through focused activities for charitable, educational and other purposes would have less incentive to do so if, after all of its community efforts, associational members could not also become members of the credit union. "Corporate separateness" for many foundations is not practical or possible, and therefore, this criterion is nearly unachievable for a federal credit union. NCUA should reconsider the addition of this criterion.

Associational Group Quality Assurance Review

MnCUN is also concerned with the quality assurance reviews that NCUA will be conducting on associations that were previously approved for inclusion in a federal

credit union's field of membership. MnCUN is specifically concerned with how these reviews will be conducted and the resulting directives from NCUA. Should NCUA find that an association is not meeting the totality of the circumstances test, will NCUA allow the association time or assistance to remediate or otherwise cure the finding of non-compliance? Will NCUA provide an appeals process for any NCUA action in removing an association from a federal credit union's field of membership? It is also unclear whether the proposed threshold requirement will apply to the quality assurance reviews. MnCUN asks that NCUA provide clarification whether this is applicable.

Final Thoughts

MnCUN appreciates NCUA's efforts to ease the regulatory burden by providing an avenue for historically approved associational groups to be automatically approved within a federal credit union's field of membership. That being said, MnCUN remains concerned with the lack of clarity in the new proposed regulation and the additional requirements provided in the summary that are absent in the proposed rule itself.

If you have any questions about our comments, please do not hesitate to contact me at (651) 288-5170.

Sincerely,



Mark Cummins
President & CEO