



MASSACHUSETTS CREDIT UNION LEAGUE, INC.

June 30, 2014

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

MASSACHUSETTS CREDIT UNION LEAGUE
COMMENTS ON NOTICE OF PROPOSED RULEMAKING PART 701

BY E-MAIL ONLY - regcomments@ncua.gov

Dear Secretary Poliquin:

On behalf of the Massachusetts Credit Union League, Inc. (“League”), please accept this letter of comment relative to the notice of proposed rulemaking by the National Credit Union Administration (“NCUA”) relative to amendments to the Chartering and Field-of-Membership Manual. More specifically, the proposed amendments relate to associational common bond requirements for federal credit unions. The League is the state credit union trade association serving approximately 190 federal and state chartered credit unions that are federally-insured and cooperatively owned by 2.5 million consumers as members in the state of Massachusetts, and operating as part of the Credit Union National Association (“CUNA”).

The League appreciates the opportunity to provide input on such an important topic so early in the rulemaking process. Field-of-membership is an important aspect of credit unions relating to governance and service to members. Without question, associational fields-of-membership help strengthen credit unions by diversifying membership, by providing an opportunity for growth in members and by providing economies of scale in the delivery of products and services. Of the ten (10) credit unions that possess an associational common bond in Massachusetts, seven (7) are federally-chartered.

1. Automatic Approval

The League supports the work of the NCUA in updating the existing chartering and field of membership manual with a goal of reducing the regulatory burden. A proposed regulatory scheme that seeks to streamline the existing rule by including an automatic approval provision for common categories of groups that have already been reviewed by the NCUA over the course of time is applauded. More specifically, the League supports automatic approval of the following groups: alumni associations, religious organizations including churches, homeowner associations, scouting

groups, electric cooperatives, and labor unions. With the continued emphasis on supporting emerging markets as part of the change in local demographics, the proposed automatic approval of associations that have a mission based on preserving or furthering the culture of a particular national or ethnic origin helps credit unions meet the needs of future members and is also welcomed.

In addition to these specific groups identified as eligible for automatic approval, the League recommends the addition of other select groups such as: agricultural cooperatives, school-based and community-based athletic groups, academic extra-curricular and club activities, fraternal associations, and social clubs. As with the organizations specifically identified for automatic approval, these types of groups feature strong common bonds, well-defined membership requirements, are integrally related and share an active participation in local group activities that further the goals and purposes of the association.

2. Threshold Requirement for New Associations

An area of the proposed rule that the League believes should be reconsidered is the proposed threshold requirement. The NCUA proposes a requirement that the association must be operating independently for at least one year prior to the request to be added into the credit union's field of membership. This threshold is restrictive and may serve to penalize eligible potential members by an extended waiting period which will hinder, not promote, access to credit union service. Adding a time dimension to existing eligibility requirements which require that associations be legally established and operating in accordance with a charter, bylaws and other legal documents serves no compelling purpose in light of the due diligence a credit union must perform to validate eligibility. As a result, the League believes that the one year period is arbitrary and unnecessary.

3. Totality of the Circumstances Test

The proposed amendments also seek to expand the criteria in the totality of the circumstances test which is used to determine if an association meets NCUA's requirements. Under the proposal, alumni associations, religious organizations, homeowner associations, scouting groups, electric cooperatives, and labor unions, could be automatically included in a federal credit union's field-of-membership as long as such groups meet service area and other related requirements. This is the area of the proposal that the League has the most concern and strongly urges the NCUA to clarify.

Massachusetts and New England benefits from a predominant number of well established higher educational facilities that were founded over a century ago and flourish today. As a result, such institutions also foster and directly support vibrant alumni associations and communities. A common characteristic of such organizations is to automatically include all persons who have received a degree from such higher educational institutions. This type of enrollment practice is not without standards or structure and the League believes it should not be interpreted by the NCUA as enrollment without knowledge or consent of individual members. Rather, this benefit is well known and documented at the outset of college or university acceptance and is incorporated into the academic experience and expected to be available upon successful completion of studies.

The League strongly believes that the financial, time and academic investment to achieve automatic enrollment in alumni associations is tantamount to a formal application process. The League also notes that Massachusetts state chartered, federally-insured credit unions, such as Harvard University Employees Credit Union, are subject to a similar, well established, nexus standard and serve such associations.

NCUA also proposes to grandfather existing members from all qualified associations that are currently part of a federal credit union's membership. In response to complaints, NCUA indicates that it will consider if there are associations that need to be removed as they no longer meet the totality of circumstances test on a case-by-case basis. The intent of this provision is to make sure associations that do not meet the association requirements are not the basis for credit union membership. The League encourages the NCUA to provide further clarity as to the review to be conducted and the nature of the assurance review including any avenues of appeal. Furthermore, the League suggests that the NCUA clearly state that divestiture will not be required and that previously approved associations are grandfathered.

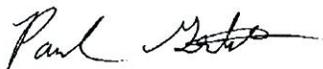
4. Reasonable Proximity

The proposed amendments incorporate geographic limitations for multiple common bond federal credit unions which the League believes are outdated. Associations need not restrict their membership to a service area of a credit union to be included in field-of-membership. With the development of electronic delivery methods for financial services, geography, location and physical branches become less representative of the scope of a service area. Inclusion of such criteria in the proposed amendments will serve as artificial barriers to credit union service.

In summary, the League supports the proposed addition of certain associational categories to be granted automatic approval and recommends other types to be added to that list. The League encourages the NCUA to consider updating and clarifying other provisions to promote a clear understanding of the rule and its application, advance compliance, and reduce the regulatory burden.

Thank you for your consideration of the views of Massachusetts credit unions. I look forward to working with you on this important proposed rule.

Sincerely,



Paul C. Gentile
President/CEO

PCG/mabc