



June 30, 2014

Via e-mail to: regcomments@ncua.gov

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

Re: Proposed Amendments to 12 CFR Appendix B,
Associational Common Bond Requirements

Dear Mr. Poliquin,

I appreciate the opportunity to comment on the proposed modifications to the NCUA's Chartering and Field of Membership Manual. The NCUA is proposing to rewrite sections of the Manual that relate to the qualification criteria for Associational Common Bonds. As stated in the Summary section of the NPR, this change is in response to Executive Order 13579, which provides that independent agencies should consider if they can modify, streamline, expand or repeal existing rules to make their programs more effective and less burdensome. The changes proposed to the Associational Common Bond do not make credit unions more effective nor does this lessen the burden on us. To quite the contrary, we would be less efficient and effective in meeting our mission. Further, there are other areas of the FOM Manual that NCUA could modify that would lower the burden on credit unions.

The NPR will result in fewer membership opportunities for small, community-based Associations.

As outlined in the NPR, the NCUA has taken a very narrow approach to pre-approved groups while at the same time increasing the burden on non-traditional associations. I don't see how the burden would be lessened, considering the volume of initial and expected follow-up paperwork required of the changes and the ensuing time to develop and then defend the application to the Agency. Your two-phased, multi-step approach will surely result in discouraging associations from affiliating with a credit union, thereby denying their members access to the cost and service benefits offered by a credit union. Further, credit unions will most likely work with only larger Associations, where the burden of filing the paperwork would be outweighed by the benefits of the membership opportunity. *Under your design, smaller, community-focused organizations would be excluded from the process and from credit union membership.*

The 'Totality of the Circumstances' test results in micromanagement of the Association's operations.

Your 'Totality of the Circumstances' test identifies eight factors that NCUA will consider when reviewing an application from an association. I would like to provide some feedback on a number of the factors:

Factor #3: "Whether the association sponsors other activities"

We work with a number of associations that are strictly focused on a singular core issue. They do not sponsor any ancillary services or activities that would take away from their ability to direct human or financial resources to their core mission. I think that associations that limit their focus to a narrow range of objectives become the most successful at achieving their goals and meeting their mission. I would appear that this type of group is penalized under your proposed test.

Factor #5: "Whether members pay dues"

I am familiar with a number of associations; each has a different business model. Some collect a one-time dues assessment, others have annual dues. Sometimes the dues is significant (\$100), others charge a nominal one-time fee of just \$5. Each association has the goal of growing their membership base and developing a viable revenue/expense model. They each determine the best way to go about this based on their Mission. Will NCUA become the arbiter of what constitutes an acceptable business model, denying credit union access to millions of

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Americans if they feel the association is not managing its business affairs in a way deemed acceptable to the Agency?

Factor #7: "Frequency of Meetings"

What is the relevance of this Factor in determining the efficacy of an Association? The critical issue is whether the membership supports the cause and mission of the Association. Meeting frequency is irrelevant to active participation, involvement or support of an Association when their membership is widely disbursed over a vast geographic area. The important feature is effectiveness of the organization. Most members, including current credit union members, vote with their feet and pocketbook. Attendance at credit union annual meetings is extremely low – only when there's a vital pressing issue do members reach out to us – and they typically don't wait for a meeting to do so. If we provide a service they value, they remain loyal members. The same holds true for associations. If their members feel the mission and services they offer are valued, they will remain as satisfied members, otherwise they will leave the organization which threatens its survival. It is the responsibility of the organization, not NCUA, to determine the best approach to building and retaining its membership and maintaining a viable association.

It appears under your approach that meeting a specific set of operational criteria is more important than allowing an Association to fulfill its mission.

Geographic Limitations force credit unions to maintain an expensive, outdated branch presence.

In the spirit of 'lessening the burden' and 'streamlining' as required of the Executive Order, NCUA should revisit the 'Geographic Limitation' concept within this rule. Presently NCUA requires that the association, or any other proposed organization or company, be within 25 miles of a 'service center'. Somehow this distance represents the limits of convenience based on geographic proximity. However I'd be hard pressed to find someone that actually travels 25 miles to do their banking (at least in the urban and suburban populations that represent most of the country). Convenience is no longer defined by proximity to a bricks-and-mortar service center. In fact, many credit unions, Aspire included, have been closing outmoded, expensive, under-performing branches in an effort to trim expenses and to afford the convenient self-service technology that our members now demand. Convenience is self-policing and determined by the member. We are as convenient as your cellphone. If our members find us convenient they will join and use us; if they don't, they won't. We no longer need NCUA dictating our 'service area'; our members define it for us. *NCUA could greatly streamline the process required by the Chartering and Field of Membership Manual by eliminating this outdated requirement to meeting the service needs of our members. This would also allow credit unions to close expensive branches without fear of this being perceived by the Agency of lessening their FOM service requirements. As presently written the rule keeps credit unions tethered to a branch network.*

I would also like to address the issue of enforcement. NCUA has laid out a burdensome list of criteria for an association to meet to be deemed an acceptable partner to affiliate with a credit union. Does the NCUA contemplate periodic reviews or audits of the Association at certain intervals to determine if they continue to qualify as an organization meeting the various criteria, or will the qualifications only be scrutinized one time, at application? Who would be responsible for this review?

In conclusion, I also fail to see the risk that an association poses to the Share Insurance Fund, yet I do see risk this proposal creates, as we have yet another restriction on the growth of the credit union movement and to the credit union charter. NCUA should be trying to broaden its interpretation of the FCU Act and working with credit unions to support a diverse membership base to ensure the strong growth of the credit unions under its watch, instead of forcing yet another limiting, restrictive rule on an already over-burden, over-regulated industry.

Thank you for the opportunity to comment on this proposal.

Very Truly Yours,



Thomas J. Shea
President/CEO

Aspire Federal Credit Union
67 Walnut Avenue, Suite 401, Clark, New Jersey 07066
732-388-0477 • Fax 732-388-2062 • www.AspireFCU.org