



**ATLANTIC FINANCIAL**

FEDERAL CREDIT UNION

February 2, 2016

Mr. Gerard Poliquin  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428  
[regcomments@ncua.gov](mailto:regcomments@ncua.gov)

**Re:** Comments on Proposed Rule: 12 CFR Part 701, Chartering and Field of Membership Manual

Dear Mr. Poliquin:

Thank for your consideration regarding our formal comments from Atlantic Financial FCU on the National Credit Union Administration's ("NCUA") recent proposed rule, 12 CFR Part 701, Chartering and Field of Membership Manual, as published in the Federal Register. We appreciate the opportunity to share our support, and recommendations regarding the Proposed Rule with the Agency.

Atlantic Financial FCU is a financial institution which represents 9,400 members across the region.

We commend and are fully supportive of the NCUA's proposed rules but would like to focus in on several areas of particular concern.

**1. Core Area Service Requirement** - Would allow a community chartered credit union to serve a community consisting of a portion of a Core Based Statistical Area (CBSA). We note that CBSA or a "core" is not contained as a definition in the FCUA, but is an agency established standard based on its authority under the rule to define such areas.

The NCUA's current FOM regulation for community credit unions of course requires that credit unions that wish to serve a community consisting of a Core Based Statistical Area (CBSA) must serve what NCUA defines as the "core area" of the CBSA. NCUA defines the core area as the most populous county or named municipality in the CBSA's title.

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**Recommendation:** The fact is serving a CBSA or “core area” is not required by the Federal Credit Union Act (FCUA). This is a standard the agency devised for describing a well-defined local community (WDLC) that is not a single political jurisdiction (county or city). NCUA should not place limitations on service areas in a statistical area, because these limitations or requirements can divide these areas into portions that do not represent a viable community or can exclude the viable portions of a community.

**2. Population Limit as Applied to a Well-Defined Portion of a CBSA –** The current FOM regulation does not allow a community chartered credit union to serve a portion of a CBSA if the overall population of the CBSA exceeds 2.5 million. Contrast this with the fact that the current regulation allows a community chartered credit union to serve a portion of a CBSA with a population of 2.5 million or less as long as the credit union serves the core area.

This requirement harms community credit unions wishing to serve a CBSA with populations that exceed 2.5 million that are made up of many small lesser population Single Political Jurisdictions (SPJs). These credit unions are currently limited to the largest city or county in the CBSA when these do not adequately represent a community. The population limit is not an FCUA requirement. It serves to discriminate in favor of community credit unions in areas with large SPJs even though a CBSA or CSA can better represent a community.

**Recommendation:** This requirement makes little sense. It clearly renders all CBSAs with populations that exceed 2.5 million useless for the purpose of being used as a WDLC for a community chartered credit union. A credit union seeking to serve its members should not be hampered or restricted in doing so by an entirely arbitrary bar such as 2.5 million.

**3. Use of Combined Statistical Area – Would include Combined Statistical Areas in the definition of a WDLC.** NCUA’s current regulation does not allow a credit union to use a Combined Statistical Area (CSA) for a WDLC, regardless of population.

A CSA is defined by the Census Bureau as consisting of two or more adjacent CBSAs that have substantial employment interchange. The CBSAs that combine to create a CSA retain separate identities within the larger CSA. A CSA goes beyond the concept of a CBSA and yet is constituted by a combination of CBSAs. Additionally the Census Bureau requirement for substantial employment interchange further substantiates commonality.

An example of a CSA is the Washington-Baltimore-Arlington, DC-MD-VA-WV-PA Combined Statistical Area as defined by the Office of Management and Budget (OMB). This area is comprised of two MSAs and some smaller urban areas with strong community ties. There are strong community ties throughout the areas that are not adequately captured by one of the CBSAs.

**Recommendation:** Our credit union strongly supports the NCUA’s proposal to allow CSAs to be used as a WDLC. CSAs are comprised of statistical areas with close community ties and naturally represent a WDLC even better than CBSA.

**4. Congressional District** - Allows a Congressional district to be used as a WDLC. In states with multiple Congressional districts, a credit union would be allowed to serve a district and the same area if the district boundaries were changed. A Congressional district inherently defines a community with shared interests. Congressional districts are contiguous in land area, contain smaller populations than many SPJs, are less than the 2.5 million population currently allowed for a CBSA, and are the ultimate “political” jurisdiction.

**Recommendation:** We strongly support the NCUA’s proposed use of a Congressional district as a WDLC. CUNA advocated publicly and privately for NCUA to add this to the proposed rule.

**5. Addition of an Area Adjacent to a WDLC** – This proposed change would allow a credit union to serve a contiguous area outside of a CBSA, CSA, SPJ or rural district if that area is within the WDLC. NCUA proposes a very strict test to meet this standard.

**Recommendation:** Our credit union supports this provision as it will allow credit unions to expand into communities that don’t fall within a WDLC or rural district. However, we are concerned that NCUA may impose policy or process hurdles that make this provision less flexible. NCUA states “the more expansive the adjacent area, theoretically even surrounding the original community’s entire perimeter, the more challenging and burdensome it may be for a credit union to, first, subjectively demonstrate a sufficient totality of indicia of interaction or common interests among residents of the expanded community, and then to establish through the credit union’s business and marketing plans its ability and commitment to serve the entire expanded community.”

**6. Rural District Population Limits** – Increases the current limit of the population that rural district charters can serve from 250,000 to 1 million.

**Recommendation:** The current population restriction is too low and unduly limits credit union access. The only limitation should be the credit union’s ability to serve the rural district. And, with the realities of internet banking, a credit union with an acceptable level of online banking services should be authorized to provide membership to people living in rural areas of the country.

**7. Inclusion of Select Employee Group (SEG) Contractors in a Multiple Common Bond and Inclusion of Office or Industrial Park Tenants in A Multiple Common Bond** - Would allow multiple common bond credit unions to include as a Select Employee Group the employees of a park’s tenants in the FOM within certain limitations.

**Recommendation:** Our credit union strongly supports the ability to add contractors of a multiple SEG sponsor and employees of an office building or complex as a separate SEG. We feel this will be especially helpful to credit unions based in Maryland and the District of Columbia allowing for greater flexibility in serving those members closely associated with a SEG.

**Individual focus – an example of how this regulation has or will affect my CU.**

1. For an office/industrial park, the group must have fewer than 3,000 employees working at a facility within the park. Is this number adequate?
2. Documentation of the tenants present at an office/industrial park will need to be demonstrated by a letter from an authorized representative of the park (such as a leasing agent). Is this practical?
3. For contractors of a multiple SEG, a credit union will need to demonstrate a “strong dependency relationship”. Is this practical?

**8. Reasonable Proximity through Members’ Online Access to Services** – Would allow for modern technology to be utilized in determining whether “Service Facility” is present for purposes of demonstrating reasonable proximity to a group.

**Recommendation:** Our credit union supports the expansion of the definition of “Service Facility” to demonstrate reasonable proximity to a group.

**9. Trade, Industry or Profession (TIP) As a Single Common Bond** – This provision expands the definition of a TIP charter to include employees of entities that have a strong dependency relationship with (and whose employees work directly with employees of) other entities within the same industry.

**Recommendation:** Our credit union strongly supports this provision as it will allow a number of TIP charter credit unions to serve those vendors, contractors, or other groups closely associated with a particular Trade or Industry, even though the group might not technically fall under the express category of the TIP charter.

### **Other Issues of Concern and Importance**

**1. Reinstate the Narrative Approach:** Our credit union believes the NCUA should reinstate the narrative approach. We appreciate the limited narrative approach in the Areas Adjacent to a WDLC above. The narrative approach is needed when all of the other WDLC areas do not adequately encompass a community.

**Recommendation:** The narrative approach should be used to allow credit unions to describe why specific NCUA requirements for any method to determine a community have not completely captured a community. The narrative approach should also be allowed in the case that a credit union does not fit any of the criteria above but has a compelling reason that an expanded field of membership is within its community.

**2. Other Persons Eligible for Credit Union Membership** - Would include those who have been honorably discharged as a veteran of any branch of the U.S. Armed Forces to be included in the affinity groups and include them within its common bond.

**Recommendation:** Our credit union supports honoring the service of the Veterans of the United States Armed Forces.

**3. Exclusion of Non-Depository Institutions and Non-Community Credit Unions when Calculating the Concentration of Facilities Ratio** - Excludes non-depository institutions or non-community credit unions from the concentration of facilities ratio under certain circumstances. NCUA proposed to recalculate the concentration of facilities ratio analysis when an initial calculation fails to designate an area as underserved.

**Recommendation:** Our credit union supports the exclusion of non-depository institutions or non-community credit unions from the concentration of facilities ratio test as these institutions by definition or in fact cannot actually serve the proposed area, despite having a branch there.

**4. Streamlined Determination of Stand-Alone Feasibility of Groups Greater than 3,000** – This provides a faster process for those groups between 3001 and 5000 to add them to a field of membership.

**Recommendation:** Our credit union supports this provision that will facilitate the addition of groups that fall within the 3001-5000 member range. It will eliminate the presumption that a group of that size can form a credit union. However, we strongly recommend that the group number be raised to between 5,001 and 10,000, if not eliminated completely.

### **Conclusion**

The overwhelmingly positive rule changes put forth by the NCUA will give credit unions in Maryland and District of Columbia as well as nationally the ability to more fully operate and compete and serve member-consumers in a safe and sound manner and provide competitive products and services to the benefit of their respective members and institutions.

We are fully supportive of the NCUA's proposed rules on FOM and we hope our comments will be respectfully reviewed and considered as the final rules are formulated in the near future.

Thank you for the opportunity to comment on the Proposed Rule. Please do not hesitate to contact me should you have any questions.

Sincerely,

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