



February 4, 2016

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

RE: Notice of Proposed Rulemaking Regarding Associational Common Bond; RIN 3133–AE31

Dear Mr. Poliquin,

The Credit Union Association of the Dakotas (CUAD) appreciates the opportunity to provide comment to the National Credit Union Administration (NCUA) with regard to the proposed amendments to the Chartering and Field of Membership Manual, Appendix B to Part 701. To provide a brief background, the Credit Union Association of the Dakotas represents sixty-eight state and federally chartered credit unions in the states of North Dakota and South Dakota, whose assets total over \$6 billion and who have more than 450,000 members.

CUAD applauds the NCUA for taking positive steps to reduce the unnecessary regulatory burden. CUAD fully supports the NCUA's objectives discussed in its proposed rule, especially, "to ease any undue burdens and restrictions on an FCU's ability to provide services to consumers who are eligible for FCU membership, particularly those of modest means and those who may not currently be members of a credit union." *80 FR 76748, December 10, 2015.*

Despite what others in the financial industry may try to argue, credit unions continue to operate for the same purpose and upon the same beliefs as those credit unions did when the Federal Credit Union Act was first signed into law, namely, that the "credit union is a member-owned, democratically operated, not-for-profit organization managed by a volunteer board of directors, with the specified mission of meeting the credit and savings needs of consumers, especially persons of modest means. The purpose of this credit union is to promote thrift among its members by affording them an opportunity to accumulate their savings and to create for them a source of credit for provident or productive purposes." *Appendix A to 12 CFR 701, Federal Credit Union Bylaws, Article I.* All consumers should have the opportunity to join a credit union and have access to affordable products and services. CUAD does not believe, as some others may argue, that the NCUA's proposed rule in any way exceeds Congress' intentions or that NCUA is exceeding its authority. NCUA is operating well within its authority granted to it by Congress and this proposed

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rule only goes to remove unnecessary regulatory burdens that should not have been imposed in the first place.

CUAD supports the NCUA's proposed changes affecting multiple common bond charters, especially the use of online financial services to meet "reasonable proximity" requirements. The role that technology plays in today's world is enormous and will only grow and become more dominant in our lives, including the financial industry. It is important for the NCUA to recognize the direction technology is taking this industry and have rules and regulations in place to accommodate the consumer's demands for access to financial services. CUAD supports the amendments to the definition of a "service facility" "to extend it to members of occupational select groups, and members of pre-approved associational groups, who have access to their credit union's products and services through an online internet channel such as a transactional Web site." *80 FR 76752, Thursday, December 10, 2015.*

The NCUA proposes to also amend its Chartering and Field of Membership manual to provide for the inclusion of select employee group contractors in a multiple common bond. CUAD supports the NCUA's proposal to "extend to multiple occupational common bond credit unions the ability to add persons who work regularly for an entity that is under contract to any of the multiple SEG sponsors listed in its charter, provided the contractor has a "strong dependency relationship" with the sponsor in each case." *80 FR 76754.*

CUAD supports the proposed inclusion of office/industrial park tenants in Multiple Common Bond as proposed by the NCUA. The amendment would "permit a multiple common bond credit union to include as a SEG the employees of a park's tenants (e.g., retail tenants of a shopping mall, business tenants of an office building or complex)." *80 FR 76754* This inclusion of office/industrial park tenants would be conditioned upon the requirement that each tenant within the group must have fewer than 3,000 employees working at a facility within the park, and only those employees who work regularly at the park during their employer's tenancy would be eligible for FCU membership. This is a very positive step to helping credit union better serve their community and will give new tenants to the office/industrial park quicker access to credit union membership.

CUAD supports the streamlined determination for assessing the stand-alone feasibility of groups greater than 3,000 up to 5,000 that seek to be added to the field of membership of an existing multiple common bond credit union, rather than forming the group's own single common bond credit union. The change would allow a written statement indicating the conditions that exist supporting the fact the group cannot form its own credit union. Moving to a streamlined determination will reduce costs and unnecessary burdens on the credit union and groups to compile data and information to support an application to add a group.



CUAD also fully supports extending credit union membership to those who have been honorably discharged as a veteran of any branch of the United States Armed Forces listed in a charter, continuing eligibility for credit union membership beyond their time on active duty. Current affinity groups include spouses of deceased credit union members, current credit union employees, pensioners and annuitants who have retired from credit union employment, and persons who perform volunteer work for a credit union. Active duty and discharged military personnel and their families share a similar affinity, typically maintaining a close relationship with their branch of service. This is long overdue and credit union membership needs to be made immediately available to these men and women that have already given so much for our country.

The NCUA also proposes a number of amendments that would affect community common bond credit unions. The NCUA is tasked with defining what constitutes a “well-defined local community, neighborhood or rural district.” CUAD believes that NCUA is well within its powers and the authority granted to it by Congress to remove the unnecessary regulatory hurdles that were previously adopted by the NCUA. The proposed changes to community common bond still maintain the “well-defined local community, neighborhood or rural district” as required by the Federal Credit Union Act as amended by Credit Union Membership Access Act. In its proposed rule, the NCUA stresses that, “Under either well-defined local community option, a credit union must be able to serve the proposed community or rural district, as demonstrated by its business and marketing plans that must accompany an application for charter approval, expansion or conversion.” *80 FR 76749*.

With regard to community common bond, NCUA proposes to eliminate the requirement that the core based statistical area contain a “core” area. CUAD supports this change as it would provide more flexibility and allow community chartered credit unions to serve a community consisting of a portion of a core based statistical area. Credit unions serve a variety of different communities and they do not necessarily contain a core area even though they do encompass a cohesive community with strong social and economic bonds.

NCUA proposes to expand the existing single Core Based Statistical Area definition of a well-defined local community to include Combined Statistical Area. CUAD supports this change as it would provide greater flexibility to credit unions to serve members in a Combined Statistical Area up to the population limitation instead of being limited to a single Combined Statistical Area.

Under existing regulatory restrictions, the NCUA has declined to recognize that a Congressional district or a whole state qualifies as a local community. However, the NCUA notes that it does recognize that both are “well defined.” These restrictions were never imposed by statute and the NCUA’s decision to impose this unnecessary restriction was based solely on policy. CUAD is pleased that the NCUA has decided to reconsider its previous position and to remove this restriction that is not mandated by Congress. CUAD supports the NCUA’s proposal to recognize



each individual Congressional district as a Single Political Jurisdiction. Thus, qualifying it as a well-defined local community without regard to population.

CUAD is mindful of the fact that smaller credit unions may not be able to present as compelling an argument for expansion as larger credit union may be able to. CUAD strongly encourages the NCUA to recognize the value and strength of the small credit union to serve its community and that the consumer should have access to both large and small credit unions. The NCUA's proposal relating to individual congressional districts would potentially allow credit unions in North or South Dakota to include the entire state within its Field of Membership. CUAD implores the NCUA to be cognizant that smaller credit unions can serve large geographic spans, such as the entire state of North or South Dakota as well as larger credit unions and should be given the same opportunity. Being given the opportunity to expand their service area can help small credit unions grow their membership and stay in competition with their larger counterparts.

CUAD believes that everyone should have the opportunity to be a member-owner of a credit union. This proposed rule will maximize access by removing undue burdens and restrictions on a Federal Credit Union's ability to provide services to consumers who are eligible for Federal Credit Union membership, particularly those of modest means and those who may not currently be members of a credit union. CUAD supports the NCUA's proposed rule and encourages the NCUA to finalize its changes in an expedited manner.

Thank you for this opportunity to share our comments.

Respectfully,

Jeffrey Olson
CEO/President

Amy Kleinschmit
VP of Compliance