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February 8, 2016

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

Re: Comments on Field of Membership

Dear Mr. Poliquin:

The Carolinas Credit Union League (CCUL), a trade association representing the interests of 140 credit unions in North and South Carolina, appreciates the opportunity to comment on the National Credit Union Administration's (NCUA) proposed rule to amend its field of membership regulations. CCUL understands that credit unions are more than financial institutions, they are community institutions built on a philosophy of people helping people. With that in mind, CCUL works to protect and advocate for credit unions that provide financial services to their member-owners.

CCUL applauds NCUA's effort to modernize NCUA regulations affecting chartering and field of membership (FOM) rules for federal credit unions. Many industry parties have expressed their concerns that the federal charter is more rigid and burdensome than some state charters and thus less attractive. The proposed rule represents a step forward in easing the burden and restrictions of the federal credit union charter while "enhancing the menu of strategic options for FOM expansions."

Here we outline our comments on different aspects of the proposed rule. When finalized, the new field of membership rules will enhance a federal credit union's ability to serve its membership, and they open the door for assisting individuals in rural and underserved areas.

Community Charter

1. "Core Area" Service Requirement - Currently, a credit union that wants to serve only a portion of a Core Based Statistical Area (CBSA) must include the "core area" of the CBSA, which is defined as the most populated county or named municipality of the CBSA. This rule is not a requirement of the Federal Credit Union Act and in practice places an unnecessary restriction on the community charter. CCUL supports the proposed rule as it enhances the ability of a federal credit union to serve its FOM based on a true community and not statistical data, which can exclude key portions of a community.
2. Population Limit for a Well-Defined Local Community (WDLC) Based on Statistical Areas – Currently, a CBSA only qualifies as a WDLC if the entire CBSA's population does not exceed 2.5 million people. The proposed rule extends the population limitation to any well-defined portion of the CBSA. CCUL agrees that expanding the population limit improves a federal credit union's ability to provide affordable financial services to a community. However, we encourage NCUA to eliminate the population limitation altogether. Specifically, the population limit is not a requirement under the FCUA and the very definition of a CBSA is a limited area.
3. Individual Congressional District as a Well-Defined Local Community - Presently, NCUA recognizes that a congressional district is well defined but disallows a district as well-defined local community as a matter of policy. In the proposed rule, NCUA acknowledges that the policy is outdated especially in light of the agency's decision to approve single political jurisdictions as communities with populations greater than one million (the average congressional district population is 710,767.) CCUL supports addition of a congressional district as a well-defined local community since the current rule is policy and not a requirement of the Federal Credit Union Act.

Multiple Common Bond Charter

1. Expansion of Definition of a "Service Facility" - Presently, NCUA requires that a FCU maintain a service facility within a reasonable proximity of the group to be served. "Service facility" includes traditional branches and an ATM or electronic facility owned by the federal credit union. The proposal expands the definition of "service facility" to include a transactional website or mobile platform that accepts shares to members' accounts and loan applications, or disperses loan funds. CCUL strongly supports this forward-thinking approach that incorporates today's member service technology. This change recognizes that a physical facility is not necessary to meet the financial service needs of members and recognizes that to compete, a credit union must offer multiple channels for financial transactions. The industry recognizes that the average age of a member is rising, yet this rule when finalized will assist credit unions in attracting younger generations and those individuals located in rural and underserved areas.
2. Inclusion of Select Employee Group Contractors in a Multiple Common Bond - Under current rules, only single occupational common bond credit unions may include employees who work regularly for a contractor of the sponsor group, provided there is a "strong dependency relationship" with the sponsor. The proposal would extend this rule to multiple common bond credit unions. CCUL supports this change because it eliminates the disparity between single common bond and multiple common bond charters.
3. Inclusion of an Office or Industrial Park Tenants in a Multiple Common Bond - The proposed rule permits a multiple common bond credit union to include as a SEG the employees of an industrial park's tenants, subject to two limitations: (1) the group must have less than 3,000 employees working at a facility within the park; and (2) only employees who work regularly at the park are eligible for membership. The group is the park itself, therefore each tenant would not need to be listed in the federal credit union's charter. CCUL supports this proposed rule because it eases the process of adding a new SEG to accommodate changes in park occupancy.

Trade, Industry or Profession (TIP) Charter

Currently, NCUA only recognizes a single occupational common bond between a sponsor's employees and those employees of contractors who have a "strong dependency relationship" with the sponsor. A "strong dependency relationship" is the likelihood of a significant economic impact on either parties if one party is unable to continue its operations without doing business with the other. Under the proposal, NCUA would expand the definition of a TIP charter to include employees of entities that have a strong dependency relationship with other entities within the same industry. While CCUL appreciates the NCUA's proposal to broaden the definition of a TIP charter we encourage the agency to consider other options as we believe more can be done to enhance a TIP charter. For example, the agency could include employees of entities that have a strong interdependency relationship with a sponsor or some type of mix-and-match TIPs.

Other Persons Eligible for Membership

CCUL strongly supports NCUA's proposal to include honorably discharged military personnel into a credit union's FOM if any branch of the U.S. armed services is listed in the credit union's charter. This proposal recognizes the strong sense of community among our armed forces.

Rural District

1. Population Limits - A rural district is defined currently as a community with the greater of 250,000 people or three (3) percent of the population of the state in which the majority of the district's population is located. The proposal increases the limit to one million people, thereby eliminating the need for the three-percent limit, which simplifies the determination of a rural district. More importantly, the new definition provides individuals in rural districts access to affordable financial services.
2. Multi-State Expansion Limit - Presently, NCUA rules permit inclusion of parts of a rural district that extends beyond a state's borders, subject to the population limits. The proposed rule restricts the expansion of a rural area across state borders only to those states with a common border of the state containing the credit union's main office. CCUL opposes this new proposed rule because it restricts a federal credit union's ability to provide services to people with limited or no access to financial services. We encourage NCUA to delete this proposed rule from its final rule as the population limits provide an adequate check on a credit union's expansion.

Underserved Areas

When determining if an area is underserved, NCUA calculates the concentration of facilities ratio, which includes non-depository and non-community credit unions. In the proposal, NCUA recognizes that including these two types of entities in the calculation inflates the concentration, thus restricting a federal credit union's ability to provide financial services to new underserved areas. In the preamble, NCUA acknowledges that these two types of entities cannot serve the entire community in question. For example, a non-depository entity may not offer full financial products and services, while a non-community credit union by nature cannot serve the entire community. CCUL supports this rule as it acknowledges the need of financial services in underserved areas and the restrictive nature of the current calculation.

Conclusion

CCUL commends NCUA's efforts to modernize the field of membership rules as the proposal provides some regulatory relief and recognizes that federal credit unions are better positioned than mere statistical data to define what qualifies as a community. The proposed changes offer all three types of charters more options to grow and thrive.

Thank you for the opportunity to comment on this proposed rule and for considering our views on field of membership requirements.

Sincerely,

Jeanne Couchois
VP of Regulatory and Compliance Counsel
Carolinas Credit Union League