

February 4, 2016

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

Re: Comments on Notice of Proposed Rulemaking for Field of Membership;
RIN: 3133-AE31

Dear Mr. Poliquin,

On behalf of Hudson Valley Federal Credit Union (HVFCU), which serves Dutchess, Ulster, Orange and Putnam Counties in New York, we are writing to you regarding the National Credit Union Administration's (NCUA) proposed rule amending the Chartering and Field of Membership (FOM) Manual, incorporated as Appendix B to Part 701. We appreciate NCUA's initiative in this rulemaking to provide meaningful regulatory relief to credit unions and welcome the opportunity to provide comments on this proposal. Credit unions are operating in a fiercely competitive marketplace. By removing unnecessary restraints on growth, these changes will help the industry attract new members and aid industry growth. While we acknowledge that legislation is necessary to resolve certain limitations of FOM rules, we support NCUA's attempt at regulatory relief by streamlining its chartering and FOM procedures, as well as removing some non-statutory constraints on FOM chartering and expansion.

Under current regulations HVFCU's ability to grow its membership is becoming increasingly more challenging as we are approaching saturation levels within our current field of membership. Having the ability to expand our field of membership will allow us to offer our products and services to more individuals and businesses in need of affordable financial services. For example, due to the strong employment interchange of surrounding areas, HVFCU would be able to use the proposed Combined Statistical Area (CSA) in order to serve more potential members who want and need affordable financial services. Nevertheless, we ask NCUA to consider allowing credit unions the option of using federal, state or other statistical models available to define their community. Having more than the Census Bureau's definition of a CSA could give credit unions greater flexibility in defining a more meaningful well-defined community.

Addition of an Adjacent Area to a Well-Defined Local Community (WDLC)

We support NCUA's proposal to permit the addition of adjacent areas to WDLCs as it would allow residents on both sides of the perimeter that interact or share common interests to be served by credit unions. According to the proposal a credit union seeking to add a bordering area will be required to establish a "sufficient totality of indicia of interaction or common interest among residents of the expanded community" based on subjective

evidence, and an ability and commitment to service the entire expanded community through the credit union's business and marketing plan. However, we are concerned that the agency may impose policy or process hurdles to make this provision less flexible. As NCUA stated, "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." gives cause for the need to provide more information on the standards and process a community credit union must follow when trying to add adjacent areas.

Regardless of the agency's attempt to provide relief through this proposal, credit unions continue to be constrained by "reasonable proximity" tests. A necessary change that needs to be made is one that replaces the requirements that community credit unions operate in "well-defined *local* communities" with one requiring credit unions to operate in "well-defined communities." A community is not only defined as "a group of people who live in the same area (such as a city, town, or neighborhood)" but also as "a group of people who have the same interests, religion, race, etc." The problem is that by mandating that communities be "local," Congress constrained growth to communities in the same proximity, which can only be changed through legislation.

Population Limits

Another arbitrary cap on community credit unions is the prohibition against servicing Well-Defined Local Communities that exceed 2.5 million people. Our credit union is less than two hours away from the greater New York metropolitan area. Much of this area is comprised of Well-Defined Local Communities that exceed 2.5 million people. So long as a credit union has the resources to serve a community it should not be prevented from doing so. This proposal would partially address this issue by authorizing community charters to serve areas with less than 2.5 million that are within CBSA's that exceed 2.5 million people. At the same time, we urge NCUA to consider removing the cap entirely.

Additional Recommendations

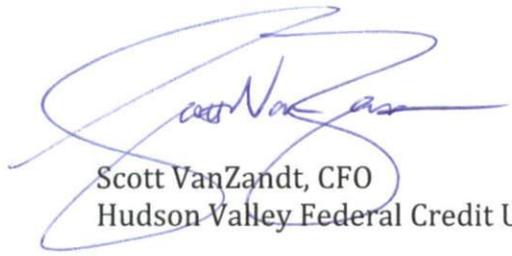
NCUA references the OMB definitions, found at 65 FR 82238 (Dec. 27, 2000), in which credit unions are to use when seeking to add areas to their FOM. We are requesting NCUA to provide clarification of the definitions to which it refers in the final rule. For example, a Combined Statistical Area is defined by the OMB as "a geographic entity consisting of two or more adjacent Core Based Statistical Areas (CBSAs) with employment interchange measures of at least 15. Pairs of CBSAs with employment interchange measures of at least 25 combine automatically. Pairs of CBSAs with employment interchange measures of at least 15, but less than 25, may combine if local opinion of both areas favors combination." It would benefit credit unions in determining if the areas in which it is seeking to add to its FOM if "employment interchange measures of at least 15" was clarified.

Thank you very much for the opportunity to comment on this proposed regulation. We applaud the agency's willingness to amend the Chartering and FOM Manual to provide much-needed relief for the credit union industry. While we strongly support this proposal, we encourage the agency to consider the recommendations outlined above as we believe these suggestions will meet the needs for credit unions. If we can be a source of any further information on this comment letter, please do not hesitate to contact Scott VanZandt at vanzs@hvfcu.org or by phone at 845.463.3011, extension 3110.

Sincerely,



Mary D. Madden, President/CEO
Hudson Valley Federal Credit Union



Scott VanZandt, CFO
Hudson Valley Federal Credit Union