

February 5, 2016

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

Mr. Poliquin:

I am writing to you on behalf of Elements Financial Federal Credit Union (Elements Financial) 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.

I appreciate the NCUA's initiative to provide meaningful regulatory relief to credit unions and individual credit union's ability to comment on this proposal. Historically, the NCUA has interpreted the authority given in the Federal Credit Union Act rather conservatively. The credit union industry has been advocating for FOM reform for many years and my credit union applauds the NCUA's Board of Director's support to modernize the agency's FOM regulations for the first time in 15 years.

The current FOM rule inhibits credit unions' ability to serve their communities and other consumers who truly need affordable financial services. While I understand legislation is required to resolve certain limitations of the FOM Rules, my credit union supports the NCUA's attempt at regulatory relief through streamlined chartering and FOM procedures, as well as removing many non-statutory constraints on FOM chartering and expansion.

While credit unions appreciate the NCUA's willingness to streamline the determination of stand-alone feasibility, credit unions firmly believe the NCUA should only require overlap analysis and the standard application process when the Federal Credit Unions' business plan anticipates more than 5,000 **actual** members, rather than the **potential** of 5,000 members.

Elements Financial recently worked through the process of merging a \$5 million credit union with 1,200 members. The credit union had several different Select Employee Groups (SEGs) with potential FOM of greater than 5,000 members – but only 1,200 total members. I believe the approval process was slowed significantly by the requirement to perform research on each of the larger SEGs to determine why they would not or should not create their own credit union. The group already selected a credit union, and with the members' permission, the credit union was merged into a different credit union.

The member vote should be used as validation of their desire to join a credit union, rather than create a brand new credit union. Currently, the NCUA requires the surviving credit union to produce additional analysis and justifications to explain why a small group of members should not create their own credit union. The NCUA acknowledges in the preamble of the FOM proposal that 80% of failures occur in credit unions with fewer than 5,000 actual members. The requirement to justify why a credit union will not create a new credit union seems to create inefficiency for all parties. Does the NCUA actually wish to create a small credit union when the members of the merging credit union decide to join forces with the continuing credit union? No one can explain the reasoning for this and it creates a bottleneck in the merger process. It makes sense to increase the threshold which triggers further analysis and explanation.

Elements Financial strongly supports the NCUA's initiative to allow multi-SEG credit unions to serve the employees of an office or industrial park tenant. Similar to the inclusion of SEG contractors, this proposed amendment will allow multiple SEG credit unions to reach potential members who want and need affordable financial services. This proposed item will create greater efficiency for multiple SEG credit unions and may spur the critical mass of business needed for a credit union to create a branch presence in an office park.

Elements Financial supports the NCUA's initiative to consider "reasonable proximity" as it incorporates online financial services into the definition of "service facility" as groups are added to a credit union's FOM. By definition, to qualify as a "service facility," a groups' members must be able to deposit funds, apply for a loan, or obtain funds on approved loans. The growth and adoption of technology allows members to perform all of these functions electronically, without the need for brick and mortar. It should be noted the update of the "reasonable proximity" requirement should apply only to multiple common bond credit unions and its SEGs. As a \$1.2 billion institution with only six (6) physical branches, Elements Financial has created a robust electronic offer which helps our organization serve members in all 50 states and 40 countries. Elements applauds the NCUA's willingness to modernize its interpretation of the rule.

Under the current rules, multiple common bond credit unions cannot add individuals who regularly work for an entity that is under contract to the sponsor of the SEG listed in its charter. The current rule allows a single occupational common bond to add these SEG contractors, as long as the contractor has a "strong dependency relationship" with that sponsor. The NCUA's proposal acknowledges there is no distinction between single and multiple occupational common bond credit unions in this regard and would provide multiple occupational common bond credit unions the ability to add individuals who regularly work for an entity that is under contract to the sponsor of the SEG listed in its charter. There have been independent contractors who worked for a particular employer for decades yet were not eligible for membership in the entity's multiple employee group. The new rules will allow credit unions to serve this group in the future.

Thank you for the opportunity to comment on this proposed regulation. My credit union is appreciative of the agency's willingness to amend the Chartering and FOM Manual to provide much-needed relief

for the credit union industry. Elements Financial supports the NCUA's proposal, I encourage the NCUA to consider the additional recommendations outlined above to create a more efficient and inclusive model. If I can be a source of any further information on this comment letter, please contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Joseph R. Hasto, Jr.", with a stylized flourish at the end.

Joseph R. Hasto, Jr.

EVP/CFO

Elements Financial Federal Credit Union

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