



Mike Lee
Director of Regulatory Advocacy
League of Southeastern Credit Unions
22 Inverness Parkway, Suite 200
Birmingham, AL 35242

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

Re: Chartering and Field of Membership Manual, 12 CFR 701, (RIN 3133-AE31)

1/29/2016

Mr. Poliquin,

The League of Southeastern Credit Unions (League) appreciates the opportunity NCUA has provided to comment on a new Field of Membership (FOM) rule and the wide, positive impact it can have on America's communities. The League supports the efforts of NCUA to adapt the Field of Membership rules to the evolving nature of community by allowing credit unions a more flexible membership relationship that reflects the realities of modern American life. These changes will be especially helpful in allowing credit unions to provide services to those communities that lack sufficient access to a variety of financial institutions and products. Both Alabama and Florida have many such communities.



The League of Southeastern Credit Unions is a trade association that represents 270 credit unions in Florida and Alabama. Our mission is “To create an operating environment that enables credit unions to grow and succeed.” The NCUA’s proposed changes to the FOM rules would contribute to the success of that mission and would allow credit unions to provide products and services to a wider range of members, including those in underserved areas. The League supports all the changes in the FOM rules. The flexibility of membership allowed by these new rules provides greater access to the benefits of credit union membership that will benefit both members and communities.

I. Community Common Bond Proposals

The Board’s proposal to remove the Core area service requirement would provide flexibility in where to locate facilities and market products and services. That flexibility will allow credit unions to invest resources towards their member needs, which will produce a more efficient institution and thereby promote better safety and soundness. The League represents credit unions in two Core Based Statistical Areas (CBSA) where the population exceeds the 2.5 million population threshold for a “well-defined local community”:

Miami-Fort Lauderdale-Port St. Lucie, FL Combined Statistical Area (population of 5.5 million) and Tampa-St.

Petersburg-Clearwater, FL Metropolitan Statistical Area (population of 2.7 million.)¹ The proposed repeal of

the requirement to serve the “Core Area” of a CBSA, along with the proposal to allow the 2.5 million

¹ Office of Management and Budget, Revised Delineations of Metropolitan Statistical Areas, Micropolitan Statistical Areas, and Combined Statistical Areas, and Guidance on Uses of the Delineations of These Areas <https://www.whitehouse.gov/sites/default/files/omb/bulletins/2013/b13-01.pdf>



population cap to include a “well-defined portion” of the CBSA, would allow these credit unions more flexibility in serving their present members and opportunities to grow by serving new members.

Similarly, allowing the Combined Statistical Area (CSA) to satisfy the “well-defined local community” requirement provides an obvious framework for a credit union to operate within. The League represents members in 13 combined statistical areas.² For anyone familiar with Alabama or Florida, these community clusters have a natural cohesion. They seem to be natural community boundaries. For instance, a person might work, worship or socialize anywhere within the CSA and not feel “out of town.” This is a rational means of establishing a “well-defined local community.” Because these communities are designated by the Office of Management and Budget as indicators of social and economic integration, using the CSA is an appropriate method of designating a “well-defined local community” for a credit union to operate in.

Regarding changes to the population cap of 2.5 million for a “well-defined local community,” there is a need to adjust this cap upward as America’s population climbs, particularly in urban areas. For instance, there are 8 counties and 3 cities that have a population of more than 2.5 million.³ Brooklyn, a borough of New York, has a population of 2.52 million people.⁴ To exclude it from the definition of a “well-defined local

² Miami-Fort Lauderdale-Port St. Lucie, FL | Orlando-Deltona-Daytona Beach, FL | Jacksonville-St. Mary-Palatka, FL-GA | Birmingham-Hoover-Talladega, AL | Cape Coral-Fort Myers-Naples, FL | Chattanooga-Cleveland-Dalton, TN-GA-AL | North Port-Sarasota-Bradenton, FL | Huntsville-Decatur-Albertville, AL | Mobile-Daphne-Fairhope, AL | Columbus-Auburn-Opelika, GA-AL | Tallahassee-Bainbridge, FL-GA | Gainesville-Lake City, FL | Dothan-Enterprise-Ozark, AL

³ Census Bureau, Population Statistics, <http://www.census.gov/popest/data/index.html>

⁴ *Id.*



community” is rather cumbersome, especially since many people colloquially identify Brooklyn as their home.⁵ The 2.5 million person cap on a “well-defined local community,” is too rigid to serve the diverse needs of communities in the United States. A proposed solution to this is discussed below along with another proposal.

The proposed addition of adjacent areas to a “well-defined local community” is another great way to provide financial services to people in rural and underserved areas. The Board’s approach to approving an adjacent area by a showing that the credit union can serve the expanded community is a reasonable criterion. This same criterion could be applied to increasing the 2.5 million person population cap for “well-defined local community” discussed above. Meaning that if a credit union seeks to have a place designated as a “well-defined local community,” which is over the 2.5 million population cap, then it could submit a plan on why such a cap should be increased and how the credit union will serve that community. This would provide a more targeted approach to increasing the cap under specific circumstances rather than a *carte blanche* increase in the cap by a set amount. These innovative proposals are important innovations that will allow credit unions to serve more members in new places. This is important because the efficiencies created will provide greater safety and soundness in credit unions.

⁵ *Brooklyn: A State of Mind*, (Michael Robbins ed., Workman Publishing Company 2000).



The final proposal is to allow a Congressional district to satisfy the “well-defined local community” requirement for community credit unions. The community nature of a congressional district is evident in the fact that the boundaries are often drawn based on the commonalities among such constituent groups. Because the populations of a district choose who will represent their collective political interests in Washington, it seems a reasonable basis for a community charter to represent their economic interests.

II. Rural District Definition

The Board’s proposal to increase the “rural district” definition from 250,000 to 1 million people will give credit unions that serve rural communities more opportunities to provide services to rural areas. The League supports this proposal as Florida and Alabama have many rural counties according to the Consumer Financial Protection Bureau’s annual assessment: 28 of Alabama’s 67 counties are rural, while 16 of Florida’s 67 counties are rural.⁶ Many of these communities are underserved not only financially, but often in areas of healthcare, education and employment.⁷ Adjusting this definition to allow credit unions in rural communities to expand their membership and provide products and services to more people (who are often underserved) may help stimulate economic growth and increase the standard of living.

⁶ Consumer Financial Protection Bureau, Final lists of rural and rural or underserved counties for use in 2015. <http://www.consumerfinance.gov/blog/final-list-of-rural-or-underserved-counties-for-use-in-2015/>

⁷ U.S. Department of Health & Human Services, Designated Health Professional Shortage Areas Statistics, https://ersrs.hrsa.gov/ReportServer?/HGDW_Reports/BCD_HPSA/BCD_HPSA_SCR50_Smry_HTML&rc:Toolbar=false. See also, Joe Summers and Larry Lee, Crossroads and Connections: Strategies for Rural Alabama (2004), http://www.auburn.edu/outreach/publications/cross_connections.pdf.



III. Underserved Areas

The Board's proposal to exclude non-community credit unions and non-depository institutions from determining factors of whether a community is underserved by financial institutions is a much needed improvement and will better identify those communities where investment by financial institutions is most needed. The League supports these proposals that will better identify communities that Federal policy seeks to improve by incentivizing investment in those areas.

Regarding the first proposal, to exclude non-community credit unions and non-depository institutions from the concentration of facilities of ratio, only makes sense. As the request for comments points out, if an individual is not within the membership group of the credit union their financial needs generally cannot be met by that credit union. So, if the credit union's charter will not allow it to serve the general public, it shouldn't be considered as a mitigating factor in determining the concentration of facilities ratio. Essentially the same point can be made of non-depository institutions, if the general public cannot use their services, then they should be excluded as a factor in the concentration of facilities ratio and therefore determining whether a community is underserved.

The alternative proposals in determining "underserved" communities are using Consumer Financial Protection Bureau's designation of "underserved" or allowing a credit union to submit evaluation metrics of its choosing based on data from the Federal financial regulators. These alternatives promote efficiency and



commonality in pursuing Federal goals and using Federal resources. Broadly speaking, the various Federal agencies have authority over similar, interconnected issues so by using the designation of one or data from another agency promotes uniformity in Federal policy and rulemaking. Also, by allowing the credit union to submit metrics of its choosing from the data confirms the research and marketing efforts made by the credit union and their commitment to serve the underserved community in the future.

IV. The Other Proposals

The Board's proposal to adjust some of the criteria for multiple common bond charter credit unions is a proactive step in meeting the needs of communities amid changes in technology and economic circumstance. The revision of the "service facility" definition to allow online access to specific credit union products to satisfy the "reasonable proximity" element of that definition is in keeping with the changing user trends of financial products. By adjusting the rule to allow electronic access to satisfy a service aspect for membership qualifications, the Board is keeping up with consumer trends regarding financial products. This is especially important in light of the trend of merging credit unions and how by facilitating the addition of other common bonds to existing credit unions, the issues relating to insufficient capital or membership for small single bond credit unions can be prevented.

The various proposals regarding employee contractors qualifying for membership in a MCB credit union, the inclusion of tenants of industrial parks to a MCB credit union, the streamlining of the application process for



different membership populations, and the expansion of the Trade, Industry, or Profession definition to allow interdependent partners to qualify for a single common bond membership are all supported by the League as means of providing greater flexibility for credit unions to serve members of a community and thereby provide a positive impact on the economic vitality of those communities.

The final proposal, to allow honorably discharged veterans to be eligible for affinity membership of a common bond credit union, is a proper tribute to those who have served the country, but would also be beneficial to credit unions as veterans often have access to stable incomes and special veteran's products. Alabama has over 400,000 veterans and Florida has over 1.5 million.⁸ By removing the barriers for veterans to become members of any credit union, credit unions will benefit, not only in financial terms, but by having an active and skilled group of people able to participate in credit union affairs. The League supports this proposal because it is a small means of honoring America's veterans and because both communities and credit unions will benefit from their membership.

Conclusion

Communication technology has made the world a smaller place and people's concept of, and identification with, a community has changed. Consumers' uses of financial products have changed along with the new technology. The trend of credit union consolidation means that there will be opportunities to serve new

⁸ Dep't of Veterans Affairs, Veteran Population, http://www.va.gov/vetdata/veteran_population.asp.



members. These FOM proposals provide the opportunity for existing credit unions to serve new members and to operate in rural and underserved communities. The flexibility in establishing membership will allow credit unions to better serve their members and communities. Furthermore, the FOM changes are important in keeping Federal charters competitive with state charters, which often have more flexible membership options. Again, the League supports these FOM changes because they will provide many avenues of success for credit unions thereby fulfilling our mission of providing an environment where credit unions can grow and succeed. In that light, the League requests that NCUA finalize these proposed FOM rules and will continue to consider other steps that reduce the obstacles for credit union success, including the burdens of unnecessary regulation.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Lee", is written over a light blue, wavy graphic element that spans across the bottom of the page.

Mike Lee
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League of Southeastern Credit Unions