



**Main Office**

4321 Nelson Road  
Lake Charles, LA 70605  
Phone: 337.477.2000  
Fax: 337.562.3109

**Sulphur Branch**

2154 Swisco Road  
Sulphur, LA 70665  
Phone: 337.625.5747  
Fax: 337.626.3394

**Toll-Free:**

800.625.5747

**CSE Voice:**

337.625.4245

[csefcu.org](http://csefcu.org)

February 4, 2016

Mr. Gerard Poliquin  
Secretary to the NCUA Board  
1775 Duke Street  
Alexandria, VA 22314

Re: Comment Letter on the Proposed Amendments to NCUA's Field of  
Membership and Chartering Manual 12 CFR Part 701

Dear Mr. Poliquin:

On behalf of CSE Federal Credit Union, its Board and Staff, and consumers in Southwest Louisiana, I would like to thank you and the NCUA for the opportunity to express our views on the NCUA Board's recently proposed FOM rules found in 12 CFR Part 701.

We congratulate the Board for its willingness to take into consideration much needed reforms to the current FOM rules. With that said however, we also feel like the Board could have gone farther and would have still been within the confines of the Federal Credit Union Act. But the proposed changes are a considerable improvement over the current rules and certainly well within what the law allows. The Board deserves commendation for finally addressing some of the FOM restrictions federal charters are subject to. The proposal is a step in the right direction and provides much needed flexibility that will enable CSE Federal Credit Union to better serve our members and will help us expand our services to more consumers in Southwest Louisiana in need of affordable financial services.

While not all of the proposed changes would pertain to our credit union's situation, we do agree with all of the changes as proposed. We are pleased to provide the following comments and recommendations regarding the proposed amendments to NCUA's FOM rules that would benefit our ability to better serve our members and potential members in our community.

**strong heritage. smart future.**



### Combined Statistical Areas Authorized

CSE is currently a multiple common bond credit union. We do have plans in the immediate future to apply for a community charter and the ability to apply to serve combined statistical areas that are beyond our existing MSA is a welcome and integral part of our plan. In addition, the ability to submit a narrative in our application that will demonstrate interaction and common interests of areas adjacent to our MSA is an important and substantive change and will greatly enhance our plans. This approach is integral because not all communities, and certainly those surrounding us here in Southwest Louisiana, fit into the NCUA's statistical or single political jurisdiction requirements to be a well-defined local community. The narrative approach was part of the rules pre-2010 and reinstating it would give CSE and other credit unions across the country in similar situations the flexibility that was lost when the narrative approach was removed. Even though the population of our area of the state comes nowhere close to the cap of 2.5 million, we feel that this cap is arbitrary and we are of the opinion that population should not be a criteria in determining a well-defined local community. Again, the population cap is not an issue we would have to deal with here but we want to at least express our opinion since there are areas of our country where it is a factor and the arbitrary cap will restrict the ability of other credit unions to serve their communities. We are very much in favor of the change in the rule allowing credit unions to apply to serve combined statistical areas, including adjacent areas and for the use of the narrative approach to provide justification for our expansion plans.

### Concentration of Facilities Test for Establishing Underserved Areas

We are perplexed as to why credit unions would have to demonstrate an area that has already been designated by a governmental agency such as the US Treasury CDFI Division or the CFPB as being underserved is underserved enough to meet a separate standard by the NCUA. If the concentration of other financial institutions located in an underserved area has not satisfied the standards of the CFPB or the CDFI Division of Treasury to bring the area out of the underserved designation, then why should the NCUA deny a credit union willing to serve that particular underserved community? It would seem that the credit union movement's heralded history of lower cost financial services would only be of more benefit to residents in underserved areas and give them additional and usually better choices other than the financial institutions that are obviously not satisfying the financial needs of those underserved residents.

### Reasonable Proximity

As a SEG-based credit union, this proposal in our opinion is one of the most important and long overdue provisions the NCUA could propose. The antiquated rule that limits SEG expansion to companies within a 25 mile radius of a physical credit union location is a hindrance to credit union growth in the age of online financial services, including computer-based and mobile phone delivery channels. The proposal finally acknowledges 21<sup>st</sup> Century technological advances and the ability



for credit unions to serve members through those channels. It is encouraging to see the agency move forward with a proximity standard that is truly reasonable in today's marketplace. The agency however, should have gone a little farther and included that same standard for credit unions serving underserved areas. If mobile services and transactional websites are good enough for SEG expansion, it should be authorized as well for credit unions determined to serve an underserved area. SEG expansion as well as underserved area expansion should be evaluated on the credit union's ability to serve and the revised definition of "service facility" should be applied across the board.

#### *Inclusion of SEG Contractors in a Multiple Common Bond*

Our credit union's core SEG is an oil refinery. The plant employs hundreds of employees and contracts with several local contractors for other services. Some of these contractors' employees have worked in the refinery for decades and are only different from the refinery's employees by the color uniform they wear. Yet they cannot join the credit union because they are not the refinery's employees, even though they enjoy the same common bond their refinery coworkers enjoy. The provision adding independent contractors with a "strong dependency relationship" to the SEG will be helpful in qualifying those individuals who share such a strong common bond to employees already in the field of membership. This has long been a perplexing oversight in our opinion and this change is very much supported.

#### *Inclusion of Office/Industrial Park Tenants in a Multiple Common Bond*

Like the SEG Contractors provision, this provision would seem to be a natural progression based on the concept of common bond. Workers in an industrial park or an office complex, though with maybe different employers, still are located in an environment that generates a natural common bond and therefore should be included in the field of membership when one employee group is added to a credit union's field of membership. In addition, the final rule should stipulate that this includes medical facilities, shopping malls, strip malls, etc. so that there may be no confusion about the concept and to what or to whom it applies.

#### *Mergers*

A glaring omission in the proposal is its silence with regard to mergers. With the credit union industry averaging one merger per business day for the last 15 years, we encourage the Board to give careful consideration to its existing rules on mergers. The NCUA could propose changes to the merger process that would facilitate mergers between credit unions with dissimilar fields of membership where there is no intent to keep the merged credit union's field of membership. The process could be streamlined in such circumstances to avoid the time-consuming process of one of the credit unions having to convert its charter. In addition, the NCUA needs to be more flexible and quicker to use its merger authority so a credit union does not have to be in such dire financial



condition before being allowed to merge with another credit union. In those situations, the merging credit union is less likely to be interested in merging unless the NCUA assists. So a change in the process might be very beneficial not only for the merged and merging credit unions, but also for the NCUA.

In conclusion, we want to reiterate that we think the proposed rule is a tremendous improvement over the existing rules and are clearly well within the confines of the Federal Credit Union Act and the NCUA's authority to set rules within the statute. In fact, the 1999 FOM rules – which were challenged unsuccessfully in court by the same banking associations that are vigorously opposing these new rule proposals – and the 2003 FOM rules – which the banks did not elect to challenge in court – both went farther than the current proposals. We encourage the NCUA to consider some of the suggested areas of additional revision to the original FOM proposal.

Again, we thank the NCUA Board for the opportunity to give our opinion and comments and for their willingness to address long-term FOM enhancements that will benefit credit unions and make us stronger, safer and sounder in our continuing and constant effort to serve our members.

Sincerely,



Clark J. Yelverton

President/CEO

