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February 3, 2016

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

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

Dear Mr. Poliquin:

We would like to thank you for the opportunity to share our views on the recent proposal by the NCUA Board addressing the field of membership (FOM) rules of the National Credit Union Administration found in 12 CFR Part 701.

La Capitol commends the NCUA Board for its willingness to consider reforms to the current FOM rules. There are a number of positive aspects of this proposal that we support and highlight in greater detail. However, we are disappointed that the Board did not go as far as the statute allows to remove controversial restrictions placed in the FOM rules during the 2010 rewrite. That said, we believe this proposal is a significant step in the right direction that, if combined with a few changes and enhancements allowed within the statute, should provide much needed flexibility for those federal credit unions seeking to better serve their members.

To that end, we are pleased to provide the following comments and recommendations regarding the proposed amendments to NCUA's FOM rules.

Concentration of Facilities Test for Establishing Underserved Areas

The Concentration of Facilities Test is one of the most frustrating aspects of submitting a request to serve an underserved area and it is disappointing to see that this provision has been retained in the proposed changes to the FOM rules. The proposed exclusion of non-depository institutions and non-community credit unions from the concentration of facilities ratio is helpful, but the burdensome and unnecessary test remains.

The proposal states that a federal credit union can submit a metric of "its own choosing as evidence of under service in a proposed area, provided the metric is based on data of the Board and Federal banking agencies". This begs the question of why, if the US Treasury CDFI Division has determined that an area is underserved, NCUA would require credit unions demonstrate it is underserved using a separate standard. Credit unions should be able to rely on the US Treasury's CDFI determination that the census tracts comprising the area to be served are indeed underserved. Shouldn't the CDFI determination of an underserved area be enough to demonstrate significant unmet needs? Retaining this flawed and cumbersome test will do little in providing any meaningful analysis and will continue to discourage credit unions from adopting underserved areas. The best approach would be to remove the Concentration of Facilities Test and simply use the determination by CDFI as justification that the area is underserved. If the other financial institutions located in an underserved area have not impacted the residents there sufficiently to build the area out of its lower income status, then why should NCUA penalize a credit union willing to serve that particular underserved community?

Reasonable Proximity

The revised definition of "service facility" for SEG expansion to include online financial services, including computer-based and mobile phone channels is a welcome improvement that acknowledges 21st century advances in technology. We applaud the NCUA Board for this action that brings about true "modernization" into the service delivery equation when determining reasonable proximity for SEG expansion purposes. The proposed change recognizes that there are many technological based avenues for conducting business available to credit union members.

Unfortunately, the proposal stops short and applies a different standard for a credit union serving an underserved area. To serve an underserved area, a credit union must still establish and maintain an office or facility within the underserved area. However, most US consumers, including those in underserved areas, have access to a mobile device and mobile banking. Our credit union, with a multi-SEG field of membership, is locating a branch in the New Orleans MSA within one mile of Orleans Parish, an underserved area. We would like to provide services to the underserved residents of Orleans Parish. These residents could access our credit union services using mobile banking and our office will be within reasonable proximity of the underserved area for those who wished to access the physical branch office.

If mobile banking is good enough for SEGs, it should also be authorized for credit unions that have made a determination to serve an underserved area. It is difficult to see how the service component to the member is any different, especially if the credit union has a service facility within reasonable proximity of the underserved area. SEG expansion and underserved area expansion should be evaluated on the credit union's ability to serve the potential new membership.

Inclusion of SEG Contractors in a Multiple Common Bond

We support the provision that would allow a SEG-based credit union to add independent contractors with a "strong dependency relationship" to the SEG. We believe it will be helpful in qualifying potential members for a number of multiple common bond credit unions.

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

We support the provision to allow a multiple common bond credit union to serve any business in an office complex, any store in a mall, or any tenant in an industrial park if the complex, mall or park administration seeks the service is a good change and one that we enthusiastically support. This is a welcomed change that will streamline the SEG approval process

Other Persons Eligible for Membership in Credit Union

We support the proposed change to permit any federal credit union to include within its common bond honorably discharged veterans. This is an appropriate addition that allows federal credit unions to honor and recognize the service of our veterans, providing them with the choice of additional lower cost financial alternatives.

Streamlined Determination of Stand Alone Feasibility of Groups Greater Than 3,000

The agency's recommended approach in this area is appropriate and takes into account what it takes to start and maintain a viable credit union. For this change to be truly effective and produce sustainable and viable credit unions, the size of the group should be increased to 10,000 (or maybe even larger), considering that actual penetration rates are often less than half of the potential members.

Population Caps Retained

A drawback to this proposal is the Board's decision to retain arbitrarily imposed population caps on communities comprised of a more than a single political jurisdiction. While the addition of Combined Statistical Areas and the removal of the "Core Area" service requirement are good changes, the improvements are undermined by an arbitrary 2.5 million population cap. If an area qualifies as a community, population should not disqualify the area from being considered a "well-defined local community". Given that every single definition of "community" under this proposal continues to be predicated on statistics compiled and defined by other governmental agencies, there is no logical justification for the inclusion of population caps. This is the position taken by many state credit union supervisors. The federal charter would be significantly enhanced if the arbitrary population caps were removed.

Combined Statistical Areas Authorized

We support the proposed change to permit any community chartered credits boundaries to be expanded to include combined statistical areas. We are disappointed it is subject to an arbitrary population cap of 2.5 million. This arbitrary population cap, for which there is no basis in law or equity, unfortunately diminishes the potential of this significant change for a number of credit unions in larger metropolitan areas.

Areas Adjacent to a Core Based Statistical Area Authorize

We support the proposed change to permit any community chartered credits boundaries to be expanded to include contiguous areas outside of the CBSA or single political jurisdiction. However, as stated previously, the significance of this change is dramatically diminished by retaining the arbitrary population cap of 2.5 million.

Congressional District Meets Definition of Community

We support the proposed change that establishes that an individual Congressional District will meet the definition of a well-defined local community. Although the availability of other more expansive community charter options will likely make it a less desirable option for most credit unions, a Congressional District, is well-defined and local by its nature.

Rural District

We support the proposal to raise the population cap for Rural Districts from 250,000 persons or 3% of the state's population to a flat 1 million population cap. While the increase in population cap is an improvement, it still begs the same question raised earlier regarding community charter requirements as to why a population cap is needed or justified at all.

TIP

The inclusion of adding employees or independent contractors with a "strong dependency relationship" to the TIP is appropriate and it is helpful to have this clearly defined.

As always, thank you for the opportunity to provide our thoughts and comments. Again, we commend the NCUA Board for their willingness to address this important issue for the growth, diversification and long-term financial enhancement that will result in stronger, safer and sounder credit unions.

Sincerely,



Michael Hooper, President/CEO
La Capitol Federal Credit Union