

January 14, 2016

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

Re: Proposed Amendments to 12 CFR Part 701, Chartering and Field of Membership Manual

Dear Secretary Poliquin,

On behalf of the Board of Directors and management of America First Federal Credit Union, I am pleased to comment on the proposed changes to the National Credit Union Administration (NCUA) Chartering and Field of Membership Manual.

Although the adjustments are not as far-reaching as we had hoped, we are generally supportive of the changes and applaud the agency for taking the time to address meaningful field of membership (FOM) reform. We believe the proposal would garner broad and enthusiastic credit union support by adopting the suggestions outlined below.

Proposed Community Charter Definitions

America First no longer operates under a federal community charter, having recently converted to one serving multiple common bonds. However, we support the proposed amendments to community charter rules allowing federal credit unions additional flexibility in determining an appropriate community. It was because we felt the one-size-fits-all statistical definitions of communities that we considered another charter option to properly serve our members. Any proposal that incorporates greater and much-needed flexibility in the community charter process is both welcome and significant in our view.

To that end, we support the proposal that would extend the ability of a federal credit union to convert to a community charter or expand an existing one without having to serve the core area if it instead elects to serve a portion of a core-based statistical area. This is a significant modification, in that it provides a credit union with an added measure of adaptability regarding the specific part of an area it can reasonably and safely serve.

Likewise, we are supportive of federal credit unions using combined statistical areas that go beyond the boundaries of what typically constitutes a metropolitan statistical area (MSA) to expand their geographic footprint. This, along with the ability to serve an outside area contiguous to its *existing* core-based statistical area or single political jurisdiction, is a significant step in the right direction.

While adding combined statistical areas and removing the core area service requirement are positive and noteworthy, the improvements are undermined and not nearly as broadly applicable because they remain subject to an unreasonable 2.5 million population cap.

Given that every definition of a community under this proposal is predicated on statistics compiled and specified by other governmental agencies, we feel there is no logical justification to include population maximums. It is our opinion that a “well-defined community” is described adequately under the statute or it is not. The population of a community should not have any bearing on whether the designation exists. Ongoing utilization of arbitrary population caps on communities comprised of areas with more than one single political jurisdiction places the federal charter at a noted disadvantage to state charters not subject to such limitations. Indeed, more and more statewide community charters are being authorized. The population of the statewide community has not been an issue for these charters, nor should it be for federal communities. We believe federal charters would be significantly improved if the arbitrary population limits are removed entirely.

Rural Districts

The proposed rule raises the rural district population limit from 250,000 persons, or 3% of the state’s population, to a flat 1 million population. While this is a definitive improvement and admittedly encompasses all rural state populations, with the exception of California, it still begs the question as to why a population cap is needed or justified at all. The proposal retains and includes additional criteria (multi-state expansion tests) for establishing a rural district that limit multi-state expansion to only those states with borders immediately on the state containing the federal credit union’s headquarters or main office. Given these rigorous qualifying criteria, we think population limits should be removed.

Concentration of Facilities Tests for Establishing Underserved Areas

Like retaining arbitrary population caps, we think the proposal misses the mark in this area. It is disappointing the agency has chosen to keep the concentration of facilities test (CFT) matrix in the rule. This cumbersome requirement has prevented many credit unions from reaching residents of underserved areas for years and has complicated the process of submitting requests.

Although the proposed exclusion of non-depository institutions and non-community credit unions from the concentration of facilities ratio is a slight improvement in the overall matrix, these alterations offer very little from a practical perspective.

The proposal also states that the NCUA will consider alternative methods a federal credit union can rely on to determine whether a proposed area is underserved by other financial institutions, provided such an analysis contains NCUA data or data from another federal banking agency. We question the inclusion of these alternatives, because it is counterintuitive that an area designated as underserved by a government agency like the U.S. Department of the Treasury Community Development Financial Institutions (CDFI) division must then meet a separate underserved standard issued by the NCUA. This makes the process far more burdensome than necessary.

A far better approach would be to remove the CFT and simply use the CDFI underserved determination for a proposed area. If the other financial institutions in an underserved area have not improved the residents' lower-income status, why should the NCUA penalize a credit union willing to serve that community? The NCUA should therefore ensure credit unions are providing more lower-cost services in underserved areas by removing this language.

Revised Service Facility Definitions

We enthusiastically support the revised service facility definition for select employer group (SEG) expansion to include online financial services, including computer-based and mobile phone channels. This update acknowledges technological advancements and it is encouraging to see the agency move forward with a reasonable proximity standard reflective of today's marketplace.

However, we remain concerned that the proposal does not extend the definition of what constitutes a "service facility" to these online and mobile channels, instead keeping language stating a credit union "must establish and maintain an office or facility in an underserved area." It has been proven that credit unions can meet the needs of SEGs through online and mobile services without a branch nearby; this same principle should be extended to underserved areas. By specifically excluding underserved area expansion from the revised definition, it suggests that low-income persons residing in these areas are unable or should not have the ability to utilize their laptops or mobile phones to access credit union services.

Again, we support the proposed changes to service facility definitions within SEG expansion, but we also believe it should satisfy the physical presence requirement for adopting underserved areas.

Including SEG Contractors in Multiple Common Bonds

We support this revision to add SEG-based credit union independent contractors with a "strong dependency relationship" to a credit union's FOM. This should help qualify potential members.

Including Office/Industrial Park Tenants in Multiple Common Bonds

We enthusiastically applaud this proposed change. The provision would allow a multiple common bond credit union to serve any business in an office complex, any store in a mall outlet, or any tenant in an industrial park seeking the applicable credit union's products. This is a significant amendment in our view.

Streamlined Determination of Stand-alone Feasibility of Groups Greater than 3,000

Although we see this more as an internal processing revision, we believe the agency's recommended approach is appropriate. That said, for this to change to be truly effective and helpful, the streamlined determination range should be increased to 10,000 or more to make credit union sustainment viable.

Other Persons Eligible for Membership

We support the proposal to permit any federal credit union to include within its common bond the honorably discharged veterans of any branch of the United States Armed Forces. Assuming this will be applied to all federal charter types, we believe this change is an excellent way to honor our veterans' service.

In closing, we commend the NCUA Board for addressing meaningful field of membership reform. We feel the proposal takes strides in a more beneficial direction. With some minor but significant changes, such as removing arbitrary population caps for community charters and extending revised service facility definitions to underserved areas, the rule changes can constitute substantial improvements.

Additionally, we value the opportunity to comment and recognize the challenges the NCUA tackles as the safety and soundness regulator for federal credit unions. Please do not hesitate to contact me directly if I can be a source of additional information about this comment letter or any other matter.

Sincerely,



John B. Lund
President and Chief Executive Officer