January 26, 2016

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

RE: Comments on Notice of Proposed Rulemaking for Field of Membership - RIN: 3133-AE31

Dear Gerald Poliquin,

National Credit Union Administration

Gerald Poliquin, Secretary of the Board

1775 Duke Street

Alexandria, VA 22314-3428

January 25, 2016

RE: Comments on Notice of Proposed Rulemaking for Field of Membership – RIN: 3133-AE31

Dear Gerald Poliquin,

I am writing on behalf of Kinecta Federal Credit Union (Kinecta), one of the nation's largest credit unions, with approximately $3.9 Billion in assets, serving 275,000 members.Kinecta appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed amendments to Field of Membership (FOM) regulations.

First, we would like to commend NCUA for its proposal for new field of membership rules for credit unions consistent with the Federal Credit Union Act. Kinecta supports the proposed rules that would allow credit unions to serve Americans who share a common bond and need and want credit union services to help them improve their financial well-being.

As a multiple common bond credit union, Kinecta can include in its field of membership an "underserved area." To determine whether an area is "underserved," NCUA uses a "concentration of facilities ratio," which compares the concentration of depository institution facilities among the population within the non-"distressed" portions of the proposed area against the concentration of such facilities among the population of the area as a whole.

Kinecta supports the proposal to make two key changes to this ratio analysis. First, to prevent the ratio from being diluted or distorted by over-inclusive data, the proposed rule would exclude non-depository institutions and non-community credit unions from the "concentration of facilities ratio," since neither would be able to serve the general public of the underserved area.

Second, the proposal would offer two additional alternatives for an area to qualify as "underserved." The first alternative is to use the designation of "underserved counties" by the Consumer Financial Protection Bureau (CFPB). The second alternative would be a metric of the credit union's own choosing, based on the "data of the Board and Federal Banking agencies," that it would submit as evidence of underservice in a proposed area.

At present, "Reasonable proximity" is considered when determining whether a group can be added to a charter. NCUA's rules base "reasonable proximity" on the geographic location of a "service facility" of the credit union. A "service facility" is currently defined as a credit union branch, a shared branch, a mobile branch that visits the same location on a weekly basis, or a credit union-owned electronic facility. In order to qualify as a "service facility," a group's members must be able to deposit funds, apply for a loan or obtain funds on approved loans.

The proposal would amend the definition of a "service facility" by expanding membership to members of select occupational groups and pre-approved associational groups who have access to the credit union's products and services through an "online internet channel," such as a transactional website. The "online internet channel" must be capable of accepting deposits for the member's accounts, accepting loan applications from the member, or disbursing loan proceeds to the member.

We support the "service facility" definition change and agree that it should onlyapply to the "reasonable proximity" requirement of a multiple common bond credit union and its select occupational and associational groups. The amended definition of "service facility" should onlyapply to the requirement that a credit union serving an underserved area "must establish and maintain an office or facility in [the underserved area]."

Under NCUA's current FOM rules, as a multiple common bond credit union, Kinecta cannot add individuals who regularly work for an entity that is under contract to the sponsor of the Select Employee Group (SEG) listed in its charter. Instead, the agency only presently allows a *single* occupational common bond to add these SEG contractors, so long as the contractor has a "strong dependency relationship" with that sponsor.

Acknowledging that there is no distinction between single and multiple common bond credit unions in this area, the proposal would allow Kinecta 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, so long as the contractor has a "strong dependency relationship" with that sponsor.

The proposal would permit Kinecta to include as a SEG the employees of an office or industrial park tenant, such as the retail tenants of a shopping mall or business tenants of an office building. This inclusion would be subject to two conditions:

1. Each tenant within the group must have fewer than 3,000 employees working at a facility within the park, and

2. Only those employees who work regularly at the park *during their employer's tenancy* would be eligible for FCU membership.

The proposal notes that a credit union would not need to individually list each tenant in its charter as a group sponsor, but could instead list the office/industrial park itself. Through this streamlined approach, Kinecta would not need to obtain letters from each tenant requesting credit union services. In the preamble, NCUA explains that a multiple common bond credit union could serve the tenant employees by obtaining a letter from an authorized representative of the park itself, such as a leasing agent. This would significantly cut down on the time it takes to gather information on each individual potential SEG and submit the appropriate documentation to the NCUA.

The Federal Credit Union Act presumes that a group of 3,000 or more can form their own, single association federal credit union, unless the group presents sufficient information for NCUA to determine that it cannot, due to either practicability or safety and soundness concerns. Historically, these groups have been required to fully describe their inability to create their own credit union. Kinecta supports the proposed rule to look at whether a group of more than 3,000, but less than 5,000, lacks available subsidies and has an overall lack of sufficient resources to feasibly or reasonably establish a new single common bond credit union, simply accepting a written statement asserting as much.

This proposal would only require overlap analysis and the standard application process when federal credit unions' business plans expect more than 5,000 *actual members*, rather than merely the *potential* for 5,000 members and would cut down on the time and additional documentation a federal credit union is required to obtain when submitting an application to add a potential SEG or associational group with 3,000 or more *potential* members.

Kinecta support legislation to resolve certain limitations on FOM rules, this proposal represents a modernized approach to keep pace with changes in state laws and technology. It will provide much needed regulatory relief by streamlining NCUA's chartering and FOM procedures, as well as removing many non-statutory constraints on FOM chartering and expansion. Thank you for providing Kinecta Federal Credit Union the opportunity to comment on this proposal and for your consideration of our comments.

Sincerely,

Keith Sultemeier

President & CEO

Kinecta Federal Credit Union

310.643.5565

CC: CUNA, CCUL

Sincerely,

Linda Landis
Compliance Officer
Kinecta FCU

cc: CUNA, CCUL