



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

FEB01'16 PM 2:45 BOARD

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

Dear Mr. Poliquin:

On behalf of the Board and Management of Keesler Federal Credit Union, please accept this comment letter on the recently proposed changes to NCUA's Chartering and Field of Membership Manual.

There is no question that meaningful field of membership reform is desperately needed for federal credit unions operating in a financial industry that is both dynamic and continually evolving. While we believe the agency could have and should go further in this proposal, we applaud the NCUA Board for taking on this critical and competitive issue for credit unions. To that end, we are pleased to offer the following comments and observations for your review and consideration.

In general we are supportive of the changes as presented in the proposed rule. However, there are certain areas of the proposal that if enacted will apply to us directly as a multiple common bond charter where we would like to offer specific comments and recommendations.

*Concentration of Facilities Test for Establishing Underserved Areas  
Should Be Removed*

As a federal multiple common bond charter with a history of taking in underserved areas, we were disappointed to see that the proposed rule retains the controversial Concentration of Facilities Test (CFT) matrix. Our experience with this cumbersome requirement is that it more often than not stands in the way of a credit union reaching out to serve the residents of underserved areas and has rapidly become one of the most frustrating aspects of submitting a request to serve an underserved area.

Although the proposed exclusion of non-depository institutions and non-community credit unions from the concentration of facilities ratio is an improvement in a very flawed burdensome matrix, in our view, it is merely a band-aid that offers very little from a practical perspective. Frankly, we were hopeful that this controversial test would have

been removed from the rule altogether. To tinker around the edges of this flawed test is going to do little in providing meaningful reform and will only continue to cause confusion that unfortunately will result in less service to underserved areas.

Although slightly better than the current matrix, the proposal states that 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 the analysis relies on NCUA data or another federal banking agency's data. The inclusion of such alternatives in the proposal to identify areas as underserved causes us to question why credit unions should be required to demonstrate that an area designated by a governmental agency like the US Treasury CDFI Division as underserved is underserved in the first place. Either an area qualifies as underserved or it does not. It really should be as simple as that. Why make the process more difficult? Clearly, the residents of underserved areas would be much better served if the process to adopt an underserved area were more straightforward and less cumbersome.

If an alternative is to rely on counties designated as underserved by the CFPB or to utilize data derived from the federal banking agencies as this proposal allows, would it not make sense to simply allow a credit union to rely on the US Treasury's CDFI determination that the census tracts comprising the area to be served are indeed underserved? This is a redundant exercise in our view. We would submit that the CDFI's determination of an area as meeting the definition of an underserved area should be enough to demonstrate significant unmet needs.

The best approach in our view would be to completely remove the significantly flawed and ill-advised Concentration of Facilities Test and use the determination by CDFI as justification that the area is underserved. If the other financial institutions located in an underserved area have not positively impacted the residents in a manner sufficient enough to build the area out of its lower income status, then why should NCUA penalize a credit union willing to join the ranks of those financial institutions serving that underserved community? Additional access to lower cost services only benefits underserved areas. NCUA should avoid promulgating a rule that essentially treats financial institutions already operating in an area as if they have a franchise when the community obviously needs additional options by their continued underserved status.

*Revised Definition of Service Facility for Reasonable Proximity Purposes is Welcomed, But Should Be Applied Across the Board to Include Underserved Areas*

We enthusiastically support the revised definition of "service facility" for SEG expansion to include online financial services, including computer based and mobile phone channels. In our view this is one of the most important and long overdue provisions in the proposed rule. It is a significant and welcomed change that finally acknowledges 21<sup>st</sup> Century advances in technology by an agency that has for too long held to an

However, the proposal falls short of its full potential by excluding its application to the requirement that a credit union serving an underserved area "must establish and maintain an office or facility in an underserved area." In other words, a credit union can serve a SEG through online and mobile services without a branch nearby; however, it cannot serve an underserved area without a physical presence within the area.

It is important to note that the agency goes to great lengths in the proposal to provide statistical evidence and support for the use of online financial services, including computer based and mobile banking applications. Clearly, the facts speak to the need for a revised "service facility" definition. Yet, for some reason the proposal specifically excludes such a revised definition for underserved area expansion. This makes little sense in our view.

Is the agency suggesting that low-income persons in underserved areas are unable or should not be able to utilize their laptop or mobile phones to access the services offered by their credit union? It would seem that an equitable treatment argument should be applied here. If mobile banking and transactional websites are good enough for multiple common bond credit unions with SEGs all across the country and start up credit unions with no branches, then it should be authorized for credit unions that have made a determination to serve an underserved area. We are hard pressed to see how the service component to the member is any different here. Again, SEG expansion as well as underserved area expansion should be evaluated on the credit union's ability to serve.

Again, there is no question but that the revised definition of "service facility" for SEG expansion is both a good and welcomed change, but it should be applied to underserved area expansion as well. Failing to apply the revised definition to underserved area expansion continues to place the federal charter at a disadvantage over most states. More and more states are granting statewide fields of membership...and they are allowing their credit unions to rely on 21st century technology to serve their members. NCUA should fully embrace the revised definition of "service facility" and apply it across the board.

*The Inclusion of SEG Contractors in a Multiple Common Bond is Reflective of Workforce Practices*

Based on our reading of the proposal, this provision would add to a SEG based credit union independent contractors with a "strong dependency relationship" to the SEG. We are supportive of this addition and believe it should be helpful in qualifying potential members for a number of multiple common bond credit unions.

*The Ability to Add Office/Industrial Park Tenants in a Multiple Common Bond is Welcomed and Will Expedite Access to Credit Union Service*

This provision to allow a multiple common bond 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 welcomed change that we fully support. It prevents having to sign up as a SEG each individual tenant in such a multi-business enterprise and enables a credit union to sign up the entire complex in one SEG approval that covers all businesses within the complex. This provision will expedite access to credit union service and is one that we fully support.

*Threshold for Streamlined Determination of Stand Alone Feasibility of Groups Greater Than 3,000 Should Be Increased*

Although we view this provision as primarily a processing improvement, this is a good change and is representative of what goes on in the real world. That said, for this change to be truly effective and helpful the range for streamlining the determination of feasibility should be increased to 10,000 (or maybe even larger) in order to fully take into account the actual penetration rate of a group required to sustain a viable credit union.

*Inclusion of Honorably Discharged Veterans as Other Persons Eligible for Membership in Credit Union is Good Public Policy*

As a credit union chartered originally to serve military personnel stationed at Keesler Air Force Base, we have a strong affection for our veterans. Based on our reading, the proposal will permit any federal credit union, apparently with any type of charter from single sponsor to multiple common bond to community, to include within its common bond the honorably discharged veterans of any branch of the United States Armed Forces. We wholeheartedly support this change and believe it to be an appropriate way to honor and support those individuals who have honorably served our country as a member of the United States Armed Forces.

*Changes and Revisions to Definition of Well-Defined Local Community Welcomed But Retention of Arbitrary Population Caps Unnecessarily Undermines Proposed Improvements*

Although we are currently a multiple common bond credit union, we are supportive of the proposed changes that will add much needed flexibility to those credit unions seeking to convert to or expand an existing community charter. Any provision that serves to provide additional flexibility for credit unions in making a determination as to how to best serve their membership is a welcomed change.

That said, we are dismayed as to why the agency would continue to retain arbitrary population caps on community charters in the proposed rule. In our view, the retention of population caps seriously undermines the flexibility and effectiveness of the proposed changes to the definition of community. Simply stated, either the area qualifies as a

community or it does not. Population should not have anything to do with determining whether the area considered meets the definition of a "well-defined local community..." Since July 2010, NCUA has solely relied on statistical information compiled by other governmental agencies in making a determination of whether a community exists. Essentially, this continues to be the case in the proposed rule with the limited exception that authorizes the addition of an adjacent area to a Core Based Statistical Area or a Combined Statistical Area subject to an overall population cap of 2.5 million. Given that every single definition of "community" under this proposal continues to be predicated on statistics compiled and defined by other governmental agencies, we are hard pressed to find any logical justification for the inclusion of population caps.

In closing, we find the agency's proposed changes to be a significant step in the right direction on field of membership reform and believe with a few changes, such as the removal of the controversial Concentration of Facilities Test Matrix and the extension of the revised definition of service facility across the board to include underserved area adoption, this proposal could be a substantial improvement over the current rule. We encourage the NCUA to consider these suggested areas of additional revision to the original field of membership proposal.

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,

A handwritten signature in black ink that reads "Joel Gregory". The signature is written in a cursive style with a large, sweeping initial "J".

Joel Gregory, AVP Compliance  
Keesler Federal Credit Union  
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