



Via: regcomments@ncua.gov

February 8, 2016

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

RE: Comments on Notice of Proposed Rulemaking—Chartering and Field of Membership Manual (12 CFR Part 701)

Dear Mr. Poliquin:

On behalf of Denali Federal Credit Union (Denali) and our nearly 65,000 members, I write to you to comment on the National Credit Union Administration's (NCUA) proposed rule amending the Chartering and Field of Membership (FOM) Manual, incorporated as Appendix B to Part 701.¹ I appreciate this opportunity to submit comments on NCUA's proposal in support of its efforts to make important and necessary changes to agency regulations on FOM and charter rules. Denali strongly supports this major revamp of FOM rules for all charter types—the first that the NCUA Board has proposed in over a decade—and appreciates NCUA's efforts at comprehensive FOM and chartering reform and regulatory relief that will help credit unions keep pace in today's competitive marketplace.

NCUA's proposal is a continuation of its commitment to undertake a comprehensive review of its FOM rules and pledge to streamline procedural and regulatory hurdles that unnecessarily burden credit union growth in the arduous financial services landscape. At the same time, NCUA has continuously solicited industry, stakeholder, and member feedback—which we very much appreciate—as it developed its proposal; the current FOM and chartering draft rule is the culmination of that intense, considered, and deliberate process.

We are aware of ongoing misinformation and opposition from the banking lobby, who continue to campaign against any meaningful FOM and charter reform. It is therefore vital that we comment on—and show our support of—NCUA's proposal to ensure that the agency knows how important this relief will be to our industry and the millions of credit union members who want safe and sound financial services. We see no broad or sweeping comprehensive changes in NCUA's proposal that could give banks any valid concerns, but simply efforts to enhance accuracy and readability of the FOM and chartering regulations.

¹ 80 FR 76748, December 10, 2015.

Community Common Bond Charters

We support removing the “core area” service requirement for community common bonds in favor of considering the portion of the area that the credit union seeks to serve when determining if the area exceeds the 2.5 million-population limit. This method would revise the current, less accurate practice of considering the whole population. We also support revising the definition of combined statistical areas to count as “well-defined, local” communities, recognizing congressional districts as a single political jurisdiction, and increasing the population limit for a rural district from 250,000 to 1 million people.

Multiple Common Bond Charters

We support permitting online access to financial services to count as “reasonable proximity.” We also support permitting the addition of those working regularly for an entity to be included within a select employee group (SEG) listed in a multiple common bond charter where there is “strong dependency relationship” present with that sponsor. Finally—and of particular importance here in Alaska—we strongly support the inclusion of honorably discharged veterans of any military branch listed within a credit union’s multiple common bond, thereby continuing their eligibility for credit union membership beyond active duty—no member of the military should be abandoned after their service is completed.

Trade, Industry, or Profession (TIP) Charters

We support the proposal to expand the definitions of a trade, industry, or profession to include employees of vendors, suppliers, and contractors who have a strong dependency relationship on, and whose employees work directly with, employees of other entities within the same industry. The “strong dependency” category is already recognized in the regulations between a SEG’s employees and those of its contractors, and we support NCUA’s efforts to extend the “strong dependency” category to TIPs.

Dual Chartering System

Our credit union state and federal dual chartering system works best when state and federal charters keep pace with one another. Several states, however, have been much more progressive in modernizing their FOM rules to recognize today’s dynamic and ubiquitous marketplace. As a result, the industry has seen multiple credit unions convert to state charters in 2015 because of their inability to grow under the federal chartering system.² NCUA’s FOM rule is more akin to recognizing other government-recognized communities—not creating new ways for credit unions to grow. At its heart, NCUA’s proposal will help credit unions reach the underserved and potential members who want and need affordable financial services.

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

Currently, NCUA uses a stand-alone feasibility test to determine whether a group lacks sufficient resources to establish its own single association credit union. The proposed rule would streamline the feasibility test for groups of 5,000 members or less and allow a written statement to serve as evidence of this lack of resources. This proposed change acknowledges that many businesses up to 5,000 members do not have the ability to establish a new, single-bond credit union.

² National Association of Federal Credit Unions, Report on Credit Unions, December 2015, page 29.

We support NCUA's efforts to streamline the FOM process for groups of up to 5,000 members, though our preference is for no upper limit and to eliminate any threshold. Many businesses do not have the resources, internal structure, or expertise necessary to establish, open, and run a financial institution. Any business, no matter its size, should be allowed to request membership in a credit union if the business establishes it does not have the expertise to, nor does it wish to add the expense of, creating a brand new financial institution—nor should it be coerced into doing so, without any meaningful choice. Any business, at any size, should be allowed to create a partnership with an existing financial institution—whether it is a credit union or a bank—and not be forced to create a new financial institution for its employees and their families.

Once again, I strongly support NCUA's willingness to modernize and streamline its FOM and Chartering rules, and thank you for this opportunity to comment. If you have any questions regarding these comments, or any other field of membership or chartering issues, please contact me directly at (907) 257-9408 or by email at Bob.Teachworth@denalifcu.com.

Thank you,

/Robert M. Teachworth/

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President & CEO

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Cc: Sarah Melton, In-House Legal Counsel