



February 4, 2016

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

**Re: Comments on Proposed Rule: Field of Membership**

Dear Mr. Poliquin:

Please accept this letter as Desert Schools Federal Credit Union's ("Desert Schools") formal comment on the National Credit Union Administration's ("Agency") recent proposed rule amending the Chartering and Field of Membership Manual, incorporated as Appendix B to part 701 and issued on November 19, 2015 ("Proposed Rule"). Desert Schools appreciates the opportunity to share its comments and recommendations regarding the Proposed Rule with the Agency. Desert Schools is a federal credit union with a community common bond charter based in Phoenix, Arizona and has 311,000 members, \$3.8 billion in assets, and 47 offices in Maricopa, Gila and Pinal counties.

As Board Chairman Debbie Matz stated, "There is nothing more vital to the future of a credit union than the ability to attract new members." Board Chairman Debbie Matz continued, "We will keep the federal charter competitive with state charters that allow more permissive field-of-membership rules." Generally speaking, Desert Schools appreciates the Agency's efforts to achieve Chairman Matz's objectives; however, the Proposed Rule as it is currently drafted is not as progressive with respect to community charters as Desert Schools would have hoped and does not provide much, if any, benefit to community chartered, federal credit unions like Desert Schools. In fact, if Desert Schools applied for a community common bond charter under this Proposed Rule, its field of membership would actually shrink. As such, Desert Schools disagrees that this rule modernizes the field of membership and should be revised.

On its face, the Proposed Rule appears to expand the definition of well-defined community<sup>1</sup> from a single political jurisdiction or core based statistical area ("CBSA") to include combined statistical areas ("CSA"), Congressional districts, and adjacent areas; however, the arbitrary 2.5 population limitation prevents credit unions like Desert Schools from the opportunity to utilize the new definition for potential charter

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<sup>1</sup> Two criteria for community charters: the geographic area's boundaries must be clearly defined and the area is a well-defined local community or a rural district. *12 C.F.R. § Pt. 701, App. B.* "Well-defined" means the proposed area has specific geographic boundaries. Geographic boundaries may include a city, township, county (single, multiple, or portions of a county) or their political equivalent, school districts, or a clearly identifiable neighborhood.

expansion. Further, the Agency fails to provide any demonstrative evidence as to why 2.5 million should be a factor in what defines a community.

Below are examples of how the Proposed Rule would only hinder Desert Schools' charter expansion opportunities:

**CBSA**

A CBSA qualifies as a well-defined community if the population the credit union is seeking to serve does not exceed 2.5 million. Desert Schools currently serves one CBSA that consists of three counties and a population of over four million people<sup>2</sup>; therefore, Desert Schools would continue to have no opportunities for expansion through service to a CBSA.

**CSA**

The Agency proposes to expand the existing single CBSA definition of a well-defined local community to include CSAs as designated by the Office of Management and Budget, subject to the 2.5 population limit. There is only one CSA in the state of Arizona (Tucson-Nogales); however, due to the 2.5 million population limitation, Desert Schools would be prohibited from expanding its field of membership to include that CSA.

**Congressional districts**

There are nine congressional districts in the state of Arizona, five of which are located within our current community with each of the five serving a population of about 710,000. As such, the recognition of a congressional district as a well-defined community does not benefit Desert Schools like it does a federal credit union located in Vermont, as an example, which only has one congressional district and can serve the entire state allowing it to more effectively compete with state-chartered credit unions. Under the Proposed Rule, similarly situated federal credit unions (i.e., community common bond charters) are treated differently as federal credit unions in states with more than one congressional district are not afforded the same leveled playing field as those federal credit unions in a state with only one congressional district.

**Adjacent areas**

Under the Proposed Rule, a federal credit union could apply to serve an area adjacent to its existing CBSA, CSA, or single political jurisdiction, provided the credit union can demonstrate through subjective evidence that residents on both sides of the perimeter interact or share common interests and subject to the 2.5 million population limit. Again, this change in the rules would not allow Desert Schools to apply for such an addition due to the 2.5 million population limitation.

While the general concept of expanding the definition of a well-defined local community goes toward the objective of achieving parity with state credit unions, the specific retention of the 2.5 million population cap does the exact opposite. Such a cap unnecessarily handcuffs federal credit unions. As such, Desert Schools strongly recommends the Agency eliminate any population caps from the Proposed Rule. Simply put, a population cap is unnecessarily self-imposed, seemingly arbitrary, and likely indefensible.

Desert Schools respectfully requests that the Agency focus its modernized approach to field of membership less on statistical areas and population caps and focus more on the fundamental issue of

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<sup>2</sup> The 2.5 population limitation was implemented in 2010.

whether a federal credit union has the ability to serve a community with a safe and sound business plan. By embracing the latter, the Agency would take a more practical approach to determining field of membership for community common bond charters. It is our position that a community should not be constricted by objective measures such as boundaries and caps if a federal credit union can demonstrate by subjective measures that it has the ability to serve that community with a safe and sound business plan. Certainly with modern technology at its disposal, a community common bond charter could extend its field of membership well beyond what it is permitted to do today and still provide a safe and sound business plan for that larger community.

Thank you kindly for the opportunity to comment on the Proposed Rule. We look forward to quick action by the Agency and respectfully urge the Agency to consider the recommendations herein.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. Frank', written in a cursive style.

Susan C. Frank  
Chief Executive Officer  
Desert Schools Federal Credit Union