Illinois
Credit Union League

Office of General Counsel
1807 W. Diehl Road
Naperville, IL 60563

8 February 2016

Filed via regcomments@ncua.gov

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

Re: Notice of Proposed Rulemaking Regarding Associational Common Bond

Dear Mr. Poliquin:

As the primary association for nearly 300 state and federally chartered credit unions, the Illinois Credit Union League ("ICUL") is pleased to have the opportunity to comment and express our support about the National Credit Union Administration's ("NCUA") request for comments on NCUA's Notice of Proposed Rulemaking Regarding Associational Common Bond. For the reasons described below, we support this proposed rule and submit our responses to questions posed.

Firstly, we would like to commend the NCUA for taking the opportunity to update Field of Membership ("FOM") regulations in order to increase member access to credit unions. As community financial institutions, many of whom primarily focus on underserved rural and low income communities, credit unions are a vital source of financial services. They are also providing financial services that are increasingly being sought by consumers as indicated by the fact that both memberships and total assets continue to grow. Allowing credit unions the flexibility to better serve members is a benefit for all consumers and this proposed rule certainly adds options for federal credit unions when considering their FOM.

While there are clearly attempts in the proposed changes to increase flexibility, the scheme overall still retains substantial bureaucracy and complexity, as well as seemingly conflicting concepts. For example, a single political jurisdiction could contain 5-10 million people, yet you seek to retain 2.5 and 1 million person population caps in other contexts. Similarly, a Trade, Industry or Profession ("TIP") common bond could (and does) offer potential FOMs that far exceed the population limits, and have no geographical limitations, while the bureaucratically defined borders used as proxies for communities can often lead to bizarre results. The change to allow for addition of adjacent areas is noted, and does help, however if there were a more flexible, common sense approach to allowing credit unions to define their communities, which they are inherently most familiar with, an "error correction" procedure would not be needed at all. One need only look at the highly gerrymandered congressional districts of Illinois to understand what utter confusion would ensue from defining them as a FOM. They are often intentionally designed to split communities for political purposes. Census definitions, while not partisan and intentional, can also often split real communities as the major towns lie near a county border.

Another question is posed on Multiple Common Bond charters with regard to adding additional groups and the size of those groups. Given that over the last 30 years the number of credit unions has shrunk by two thirds and average membership has gone from not even 2,500 to almost 17,000 members, there should be no question that a population of 5,000 people could not reasonably support its own start up financial institution, as only a small percentage of the population would even initially join. While there are still many small credit unions, they are disappearing though mergers at a significant and steady rate. If an already existing institution with thousands of members and tens of millions of dollars in total assets cannot survive, how could a new institution start and survive with perhaps a few hundred members? Allowing small credit unions much greater flexibility in adding potential groups benefits the proposed population as well as the existing members and is the best way to help these institutions responsibly grow to remain competitive. Given the absolute dearth of newly chartered credit unions, adding groups of ten, twenty or even fifty thousand people to an existing credit union is far preferable to expecting them to start their own in terms of efficiency as well as safety and soundness.

Finally, as noted by NCUA, there is a strong and growing trend toward online services. As a result, geography is no longer the primary consideration that it once was. This is an important consideration particularly in the ability of institutions to serve rural and other underserved areas. In order to increase choice and service to underserved populations, the agency should consider streamlined alternatives, and the impact of population limits, for credit unions to add these areas to its FOM. Increasing choices for consumers will result in better service to them, and increasing populations for small credit unions will allow them to survive, and hopefully thrive, despite the constantly increasing regulatory burden. Bottom line, a nationwide dual chartering system is important and increased flexibility is necessary to keep small credit unions in their communities. Other financial institutions have absolutely no geographical or population limits. The consistent consolidation in financial services is leaving consumers with less choices, and less competition will lead to poorer services. Credit unions need common sense flexibility to continue to survive and bring benefits to their members. While this proposed rule does add some flexibility, we encourage the NCUA to continue to evaluate FOM in light of what will be best for consumers.

We greatly appreciate the consideration of our views.

Sincerely,

Steven C. Haubner
Assistant General Counsel
Illinois Credit Union League

Cornelius O'Mahoney
Senior Compliance Consultant
Illinois Credit Union League