



February 8, 2016

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

Re: Comments on Notice of Proposed Rulemaking Regarding Associational Common Bond –
RIN 3133–AE31

Dear Mr. Poliquin:

This letter represents the views of the Cornerstone Credit Union League [“Cornerstone”] in response to the National Credit Union Administration’s [“NCUA”] proposal regarding field of membership [“FOM”] rules. Cornerstone is the official trade association serving 545 federal and state credit unions in Arkansas, Oklahoma, and Texas combined, and more than 8.9 million credit union members. Cornerstone appreciates the opportunity to comment on this very important issue.

We support NCUA’s efforts to modernize outdated FOM restrictions. While we support the proposal as a step in the right direction, we have some suggestions to further improve the proposal.

Dual Chartering

Cornerstone is committed to the dual chartering system and we advocate for strengthening both state and federal charter options. Recently, state regulators across the nation have been modernizing state field of membership rules. We have seen some FCUs convert to state charters because the current NCUA rules are too inflexible. For example, NCUA’s community charter FOM option has impaired the ability of some FCUs to serve their communities, leading them to switch to more accommodating state charters. Modernizing the field of membership rules will provide federal credit unions the flexibility to grow and best serve their communities.

NCUA’s Legal Authority

The proposal falls within NCUA’s statutory authority. The bankers’ allegations that NCUA’s is overstepping its bounds are unfounded and amount to nothing more than an attempt to stifle competition.

Comments on Proposal

Cornerstone supports the proposal in general, with a few suggestions on where it can be further improved.

NCUA should eliminate the population limit for a well-defined local community [“WDLC”] based on statistical areas, or at the very least, set it equal to that of the most populous single political jurisdiction [“SPJ”]. This would put community credit unions on a more equal footing. The Federal Credit Union Act does not require a population limit.

We support NCUA’s proposal to eliminate the requirement for community chartered credit unions wishing to serve a community consisting of a core based statistical area [“CBSA”] to serve the core area of the CBSA. Serving a CBSA or core area is not required by the Federal Credit Union Act. NCUA should eliminate limitations on service areas in statistical areas because these limitations can divide these areas into portions that do not represent a viable community or that exclude viable portions of a community.

Cornerstone supports removing the restriction that prohibits community chartered credit unions from serving a portion of a CBSA if the overall population of the CBSA exceeds 2.5 million.

Cornerstone supports NCUA’s proposal to let Combined Statistical Areas [“CSA”] serve as a WDLC for community chartered credit unions. Serving all or part of a CSA gives credit unions the flexibility to serve an entire community that normally would not fall into a single CBSA. The change would also allow community chartered credit unions the flexibility to serve entire communities that might otherwise be excluded from the current FOM regulation.

Cornerstone supports the proposed addition of an area adjacent to a CBSA. We urge NCUA to avoid hurdles in relation to this provision. For example, credit unions should be approved to serve areas without the need for marketing plans.

Cornerstone supports the addition of a Congressional district as a well-defined local community.

Cornerstone supports raising the rural district population limit to 1 million people. Previous higher limits allowed under the current rule should also be grandfathered in.

Cornerstone supports the aspect of the proposal that would allow NCUA staff to recalculate the concentration of facilities ratio analyses excluding non-community credit unions and other financial institutions not open for deposit. The agency should remove these kinds of regulatory burdens to serving underserved areas.

Cornerstone supports modernizing the definition of “service facility” to include a transactional website or mobile platform. Modern technology no longer necessitates the existence of a physical branch for credit unions to serve members. The fact is, growing numbers of the population rarely, if ever, use physical branches and that appears to be the wave of the future.

Cornerstone supports the amendment to extend to multiple occupational common bond credit unions the ability to add persons who work regularly for an entity that is under contract to any of the multiple select employee groups [“SEG”] sponsors listed in its charter, provided the contractor has a strong dependency relationship with the sponsor. Such power is already permitted for single occupational common bond credit unions, and is similarly appropriate for multiple SEG credit unions.

Cornerstone supports allowing multiple common bond credit unions to include as a SEG the employees of an office park’s tenants. This would provide flexibility to credit unions. We suggest that 5,000 employees would be a better threshold for the number of employees working at a facility or industrial park.

Cornerstone supports eliminating the overlap analysis currently required for groups between 3,000 and 5,000 that wish to form a credit union. This would streamline the process.

Cornerstone supports the expansion of the definition of trade, industry or profession [“TIP”] to include vendors, contractors, or other groups closely associated with a particular trade or industry. We suggest NCUA remove the geographic limitation for TIPs. The Federal Credit Union Act does not require a geographic restriction for a TIP since it is a single common bond.

Cornerstone does not support the requirement that limits rural district credit unions to serving only those states contiguous with the credit union’s headquarters. Limitations should be lifted to permit credit unions to serve more people.

Additional Suggested Improvements

Cornerstone suggests NCUA consider adding the following revisions to its final rule, or if need be, a future proposal:

- 1) Improve the merger process. The merger process should be simplified to permit credit unions with different FOMs to merge and adjust the FOM in one step without having to first convert charters.
- 2) FOM Type Conversions. Credit unions that convert to a community charter should be permitted to retain previously approved select employee groups, even if those groups are outside the boundaries of the new communities. This already works fine for credit unions that have merged in emergency situations. State chartered credit unions converting to a federal charter should also be permitted to retain their existing FOM groups.
- 3) Full Narrative Approach. NCUA should reinstate the pre-2010 narrative approach for defining a community to be used when a community cannot be adequately defined by a statistical area or political jurisdiction.

- 4) Process Simplification. NCUA should evaluate further ways to simplify the process for FOM expansion. For example, the requirement to provide a marketing plan on how it will serve an area should be eliminated. Whether or not to serve an area is a business decision and should not be subject to NCUA approval.
- 5) Increased Access to Underserved Areas. The population limit for statistical areas should be eliminated for underserved areas. Regulatory burdens are currently limiting credit unions ability to serve persons in need. NCUA should pre-approve underserved areas to be placed on a list for credit union reference.

In sum, we support NCUA's efforts to ease outdated field of membership restrictions. Thank you very much for considering our comments. If you have any questions, please do not hesitate to contact me at (512) 853-8516.

Sincerely,

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