

February 1st 2016

Gerald S. Poliquin

Secretary of the Board

National Credit Union Administration

1775 Duke Street

Alexandria, Virginia 22314-3428

Re: Comments on Notice of Proposed Rulemaking Regarding Associational Common Bond

Dear Mr. Poliquin,

Included below are my comments relating to the proposed rule changes to the Chartering and Field of Membership Manual released November 4th 2015.

At the outset, I wish to express my appreciation to the NCUA board, their staff and members of the OCP for their efforts in proposing the necessary and substantial changes to the rules to FOM, in particularly those involving local communities and rural federal credit union charters. I have appreciated the efforts to gain input from the industry and willingness to consider material changes necessary to ensure the ability of all credit unions to address the competitive realities being confronted within the general financial institution industry and the evolving broader transaction payments environment.

Within the proposal NCUA has addressed the strategic necessity of providing the flexibility of community chartered credit unions to be able to compete with FCUs of associational FOMs and with state chartered credit unions with broader FOMs.

Community Common Bond:

With the ability to add adjacent areas to a Well-Defined Local Community and for those similar areas requiring "compelling evidence of Interaction or common interest", the proposed changes will be a positive tool to many of us who have been adversely affected by the existing regulations that are excessively restrictive.

I would suggest adding to the factors being considered for a proposed service area, the "geographic isolation" by lakes, mountains ranges, etc. as a basis for common interaction. Interaction and common interest can be a function of and of a causal nature from mountain ranges and other large geographic determinates. In Northwest Nevada the Sierra Nevada Mountain Range (primarily located in eastern California) isolates and directs small California communities to seek essential support from the Reno metropolitan area. Though some of the other factors may be shown as related to the geographic isolation, the inclusion of a geographic factor to be considered may offer another dynamic that is not clearly understood through numbers or most maps.



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The continued limitation of a Core Based Statistical Area or one-or-more metropolitan Divisions or a well-defined portion of either one to a cap of 2.5 million population presents a barrier that is not present in comparable state law or other charter forms. The limitation is of an arbitrary nature and detrimental to retaining or attracting the adoption of a federal charter in larger metropolitan areas. Considering the breadth of what is being proposed for Rural Areas to a maximum of 1 million and the limit of 2.5 million for the other “well-defined” community definitions, I doubt there is a material number of qualifying circumstances nationwide between 1 to 2.5 million; I would at least suggest considering raising the cap. Considering the number of metropolitan areas in California alone that exceed the 2.5 million limit and other similar situations on the east coast, this limitation is essentially limiting those federal credit unions to adopt state charters or SEG/associational federal charters.

On behalf of so many FCUs that serve the rural areas of the nation (like 80% of it?), I think the opening of the Rural District definition will be widely appreciated. In many of the western states like Nevada, much of the population is centered in one or two metropolitan areas. The contiguous area criteria, the proposed density limit of 100 per square mile and the total cap of one million will allow rural FCUs to service like communities with common needs. The ability to service rural communities in adjacent states will be valuable also. The Reno metropolitan area is the largest population center for 100 miles. The California state line is 10 miles away. The communities in the rural California counties on the eastern side of the Sierra Nevada Mountain Range depend on many essential services of Reno. This just makes sense.

The proposed “stream-lined business plan requirements” for credit unions requesting amendments for broader service areas doesn’t appear onerous within the definition proposed. My recommendation would be that the Multiple Common Bond definition of a “service facility”, i.e. the ability to provide service and convenience through the internet and the related devices, be extended on *principal* when considering submitted stream-lined business plan and marketing requirements of rural FOM expansions and those of adjacent areas to a Well-Defined Local Community. If an SEG can be serviced by technology, adjacent geographic areas are equally serviceable by technology.

Within the proposed regulations there was a request to comment on whether the board should consider limiting the availability of the streamlined approach to a FCU seeking a certain maximum percentage increase in its FOM. I believe a request by a credit union will either validate its ability to service an area or it won’t. An arbitrary cap fails to consider if the existing regulations have been excessively conservative geographically and may unnecessarily restrict service to a number of rural communities that have an existing need.

Multiple Common Bond:

I support the board’s proposal for Multiple Common Bond FCUs in adopting an updated understanding of a “service facility” to include an expanded definition that includes the ability of accepting shares, loan applications, disbursing loan proceeds through online internet channels via laptops, personal computers and mobile devices. This provides



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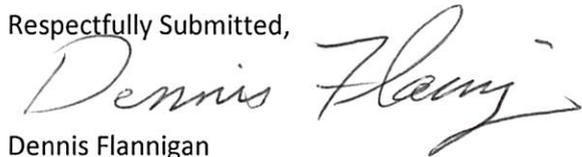


flexibility in NOT requiring *shared branching*, and it acknowledges the declining consumer behavioral importance of brick and mortar facilities as a sole definition of a “facility”.

Trade, Industry or Professional (TIP):

I support the Board’s proposal to clarify the definition of a TIP to include employees of entities that have a “strong dependency” relationship on and with the SEG sponsor. I think this is consistent with other SEG associational FOM adoption regulations that recognize the need of larger SEG membership to ensure basic safety and soundness issues and ability to adopt contemporary products and services.

Respectfully Submitted,



Dennis Flannigan

President/CEO



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