

January 27, 2016

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

Re: Comments on Chartering and Field of Membership Manual Proposed Rule - RIN  
3133-AE31

Dear Mr. Poliquin:

On behalf of Citizens Equity First Credit Union (CEFCU), a federally insured state chartered credit union (FISCU), formerly a Federal credit union (FCU), I am writing to you regarding 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. While mindful that the rule applies only to FCUs—that FISCUs will continue to look to state law and regulation for field-of-membership, CEFCU welcomes the opportunity to provide comments on this proposal.

CEFCU appreciates NCUA's initiative in this rulemaking to provide meaningful regulatory relief to credit unions. The credit union industry has long advocated for FOM reform, and we appreciate the NCUA Board's support for modernizing the agency's FOM regulations for the first time in fifteen years. While CEFCU acknowledges that legislation is necessary to resolve certain limitations of FOM rules, CEFCU supports the NCUA's attempt at regulatory relief by removing many non-statutory constraints on FOM chartering and expansion.

Pursuant to §1759(b) of the *Federal Credit Union Act* (FCUA), FCUs with a community common bond are limited to “[p]ersons or organizations within a well-defined local community, neighborhood or rural district.” To qualify as a well-defined local community or rural district, the NCUA Board requires the proposed area to have “specific geographic boundaries.”

Currently, NCUA recognizes two objective geographic areas as meeting the standard well-defined local community on their face:

- A single political jurisdiction
- U.S. Census Bureau-designated Core Based Statistical Area (with a 2.5 million population limit)

Under either of the above options, a FCU must demonstrate its ability to serve the proposed community by submitting its business and marketing plans along with the FOM application.

NCUA is proposing the following changes to its rules regarding community FOMs:

- Addition of an Adjacent Area to a Well-Defined Local Community

In its proposed rule, NCUA recognizes that areas adjacent to a well-defined local community FOM may themselves need credit union services. NCUA therefore proposes to permit the addition of such an area to a FCU's existing well defined local community if the FCU can show by subjective evidence that residents in the existing local community and the adjacent area interact or share common interests. Under the proposal, the combined expanded community would be subject to the 2.5 million population limit for communities and one million population limit for rural districts. A FCU seeking to add a bordering area to its community FOM will no longer be required to discontinue service to some of the communities it currently serves.

Community charters are unjustly limited in their ability to grow under the current rules, and this proposal will allow them to expand into adjacent areas within the confines of FCUA. This proposal represents a modernized approach to keep pace with state FOM rules; and, together with the proposal to recognize a Congressional district as a well-defined local community, removes undue burdens and restrictions on FCUs and provides the opportunity for parity between federal and state community charters.

- Individual Congressional District as a Well-Defined Local Community

NCUA proposes reversing its policy prohibiting a Congressional district or a whole state as qualifying as a well-defined local community. NCUA notes that "[t]hese restrictions were never imposed by statute; rather, the Board disallowed states and Congressional districts solely as a matter of policy." Citing numerical comparisons of populations of large community FOMs granted by NCUA compared to average Congressional district populations, NCUA further notes that "Congressional districts, structured for purposes of federal representation, reflect interaction and common interests among each district's constituents based on issues and matters decided at the federal level that affect them locally." Upon that rationale, NCUA proposes recognizing each of the 435 Congressional districts as a well-defined local community without regard to population. As with other community charters, a FCU that applies to serve a Congressional district must submit a business and marketing plan demonstrating its ability and commitment to serve the entire community.

Though legislation is necessary to resolve certain limitations on FOM rules, this proposal provides much needed regulatory relief by streamlining NCUA's chartering and FOM procedures, as well as removing non-statutory constraints on FOM chartering and expansion. By providing more avenues for community charters to grow, the proposal will help credit unions reach consumers who need but who may not currently have access to affordable credit union services. However, there are still many areas of the proposed rule that are not statutorily mandated, and which NCUA could provide further regulatory relief, such as population caps and geographical boundaries.

Thank you very much for the opportunity to comment on this proposed rule. CEFCU applauds the agency's willingness to amend the Chartering and FOM Manual to provide much-needed relief for the credit union industry. CEFCU strongly supports and encourages the agency to adopt the proposals outlined above, as CEFCU believes these proposals will increase consumer choice in the marketplace and are firmly in the agency's existing legal authority.

If I can be a source of any further information on this comment letter, please do not hesitate to contact me at [kschneider@cefcu.com](mailto:kschneider@cefcu.com) or by phone at (309) 633-3860.

A handwritten signature in black ink, appearing to read "Kevin D. Schneider", with a long horizontal flourish extending to the right.

Kevin D. Schneider  
Chief Legal Counsel  
Citizens Equity First Credit Union