

November 14, 2016

Mr. Gerard S. 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 October 27, 2016 ("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 318,000 members, 3.9 billion in assets, and 44 branches.

I. Alternative Method

With regards to establishing the existence of a well-defined local community ("WDLC"), Desert Schools applauds the Agency's revival of the narrative model that was abandoned in 2010 and replaced with the current presumptive community model. The restoration of the narrative model in the Proposed Rule would create much needed flexibility for federal credit unions to expand their membership without being confined to statistical areas. Desert Schools supports the thirteen (13) criteria, the three (3) tiers of persuasive effect, and the totality of the circumstances approach set forth in Appendix 6 in determining whether a federal credit union sufficiently meets the WDLC threshold.

II. Population Cap Increase

While the Proposed Rule's increase of the population cap of a WDLC from 2.5 million to 10 million is undoubtedly a significant improvement, it is Desert School's position that the population cap should be eliminated in its entirety. To begin, a WDLC will experience population growth over time. The United States Census Bureau's Population Estimation Program assessed that the population of the state of Arizona exceeded 6.8 million as of July 1, 2015¹. Assuming Desert Schools could submit a narrative, supported by documentation, to demonstrate that the areas it does not currently serve qualify as a WDLC based on common interest or interaction among the area's residents, then it would be on a level playing field with Arizona state chartered credit unions with regards to membership. However, it is only a matter of time when Desert Schools would encroach the 10 million population cap as Arizona has the eighth

¹ <http://www.census.gov/quickfacts/table/PST045215/04>

fastest growing population in the United States with a 6.8% increase in population in five-year period from 2010 to 2015².

Furthermore, Desert Schools believes that the population cap unjustifiably handcuffs federal credit unions. 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 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 rigid boundaries and caps if a federal credit union can demonstrate by subjective measures that it has the ability to serve the 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 enlarged community. Desert Schools favors a return to the more flexible days between 1999 and 2010 when the Agency's field of membership rules recognized that a legitimate interactive community is a community regardless of size.

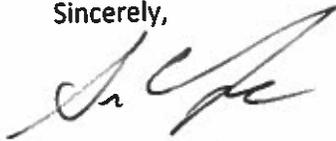
III. Community Designations

With regards to addressing the disparity in treatment of a community consisting of a portion of the core based statistical area versus that of a combined statistical area, Desert Schools approves the Proposed Rule's consistent treatment of the two.

IV. Conclusion

In summary, Desert Schools believes the Proposed Rule is a positive step forward and appreciates the Agency's efforts to enhance the October 27, 2016 finalized field of membership rule. 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,



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

CC: CUNA
NAFCU
MWCUA
CFPB

² <http://www.census.gov/popest/data/state/totals/2015/index.html>