CORNING CREDIT UNION

Gary A. Grinnell, President and Chief Executive Officer

December 5, 2016

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

Re: Second Proposed Rule on Field of Membership

Dear Mr. Poliquin:

On behalf of the Board and Management of Corning Federal Credit Union, I would like to take this opportunity to comment on the National Credit Union Administration's most recent proposed rule on field of membership.

By way of background, Corning Federal Credit Union is a $1.3 billion asset institution, serving over 101,000 members. Our charter is multiple common bond, and as such we currently have numerous select employee groups (SEGs) and associational groups within our field of membership. We also serve several underserved areas in our geographic markets in New York, North Carolina, and Pennsylvania.

We commend the NCUA Board for taking the much-needed step of modernizing its rules for field of membership through its recently-released final rule. We also applaud the Board's decision to release a second proposal for public comment, that would go further in returning the field of membership rules toward the more flexible approach that was in place prior to 2010.

On the whole, we are in support of the three primary provisions of the proposed rule and would like to have seen them included in the final rule approved in October. Although NCUA can certainly, in our opinion, go further in relieving the onerous and uncompetitive regulatory burden that credit unions are forced to bear, implementation of these additional provisions would represent a positive step toward leveling the playing field.

Ability to Submit a Narrative Option

We fully support the proposed provision that would allow credit unions to submit a narrative justification as part of their application to serve a well-defined local community consisting of political jurisdictions that do not fall neatly within a metropolitan statistical area (MSA) or combined statistical area (CSA).

Additionally, we feel that the 13 "Narrative Criteria To Identify a Well-Defined Local Community" as referenced in the proposed rule are appropriate when considered on a totality of

circumstances basis. We do recommend the NCUA Board reserve flexibility within the narrative option to consider additional criteria when warranted based upon the unique circumstances and justification provided with a credit union's application. For example, although a "tourism district" is cited within the 13 narrative criteria as an example of a "designation of the proposed community by a government agency", there are cases of well-known and geographically well-defined tourism regions that are not recognized by a state or federal designation, yet share common target markets, marketing campaigns, and leisure attractions. Such regions should be given consideration as well-defined local communities despite their lack of official governmental recognition.

Population Caps

Regarding the proposed increase of the community charter population cap to ten million from the current 2.5 million, we do not believe that an arbitrary population cap should limit the definition of a community. Even though the proposed cap increase provides federal credit unions with greater flexibility to reasonably serve larger communities, we fail to see the necessity of a population cap at all.

A community's qualification as an interactive and well-defined local community is not dependent upon its population size. Rather, if a credit union meets all safety and soundness criteria to take on this additional service area, it should be allowed to do so, regardless of population. Population size has little if anything to do with how well a credit union can adequately serve a community, especially considering the strong, sustained growth in application and acceptance of remote electronic banking channels in recent years.

The use of an outdated and arbitrary population cap severely hampers the ability of credit unions to serve large, contiguous community areas, such as entire states. Considering that several state regulators have, in the past few years approved state-wide community areas as large as 9.8 million (in the case of a Michigan-based credit union), the current 2.5 million population cap makes the federal charter untenable for many state-chartered credit unions. In fact, this cap is a key reason many federally-chartered credit unions have considered conversion to a state charter. Although an increase in population cap to ten million would help in many of these cases, it would still prove unduly restrictive in certain cases and does not address the underlying issue that any population cap is arbitrary and irrelevant to the ability of a credit union to serve a community area.

In fact, the NCUA Board clearly recognizes this discordance and "inherent imbalance" regarding the imposition of population caps on federally-chartered credit unions, as it cites in the summary of the proposed rule that "a 10 million population limit would narrow the inherent imbalance between the population cap that applies to FCUs and the uncapped state credit unions in at least the nine states with a population between 2.5 and 10 million."

In response to your request for comments on the ten questions raised in the proposal, we recommend the removal of all arbitrary and restrictive population caps in their entirety. The determining factors for a well-defined local community should be the documentation of the interaction standard either through the defined MSA and CSA status as outlined in the FOM rule approved in October 2016 or through the narrative process as outlined in this proposed rule.

If the Board decides that population caps are needed, we are in that case in favor of the increase to a ten million population cap. However, even this higher figure seems arbitrary considering that such caps are not required by statute, and there are sufficient primary safeguards in place within the NCUA rules to ensure the viability of a well-defined community, and a federal credit union's ability to serve such a community regardless of population.

Designation of a Portion of CBSA as Community Without Regard to Division Boundaries

We support the proposed provision permitting a credit union to designate a portion of a Core Based Statistical Area (CBSA) as its community without regard to division boundaries. This provision is consistent with the earlier field of membership rules approved by the NCUA Board, and will bring needed and welcome consistency to NCUA's treatment of portions of CBSAs and those of CSAs, which are already allowed such flexibility.

Merger Process

Beyond the changes proposed by NCUA, we wish to comment on one additional area pertaining to the field of membership rules. Surprisingly, NCUA does not address mergers at all in either the recently approved final rule, or in the additional proposed changes. The industry has experienced a sustained and significant trend of consolidation for decades, with an average of one merger per business day over the past fifteen years. This trend is expected to continue, if not accelerate, as at least one industry expert predicts the number of credit unions may drop to just 4,000 by 2020.

With this as backdrop, it is imperative for NCUA to review the current process for approval of mergers, and consider cutting red tape in several areas. For one, NCUA has a highly restrictive view toward the definition of "in danger of insolvency" for emergency mergers. In most cases, by the time a credit union reaches a level of insolvency where NCUA will allow a healthier credit union to step in, the merger will present a litany of operational and financial challenges precluding the identification of a strong and willing partner. Depending on the size of the credit unions involved, a merger with a partner "in danger of insolvency" may impose a significant and negative impact on the safety and soundness of the continuing credit union.

In the case of voluntary mergers, the rules are also highly restrictive. For instance, multiple common bond credit unions cannot merge with community credit unions, regardless of whether there are sound strategic and market-driven reasons to do so. This is another case of NCUA placing all credit unions in the same box, with little regard for the merits or challenges of a

particular merger opportunity. These arbitrary rules are not what is best for credit unions, nor for our members.

We urge NCUA to consider expanding the rules for both voluntary and emergency mergers, for the benefit of our members and protection of the Share Insurance Fund.

Conclusion

Thank you again for your consideration of our comments and those of others in the credit union industry as you finalize the new field of membership rules. We are encouraged by NCUA's willingness to modernize these rules with the objective of making the Federal charter more competitive in today's financial services climate. We hope this is a positive indicator of a willingness to modernize in other areas as NCUA continues to focus on regulatory relief.

Should you have any questions or require additional information in support of the recommendations made herein, please feel free to contact me at 607-962-3144, ext. 5292.

Sincerely,

Gary Grinnell
President and Chief Executive Officer

cc: The Honorable Richard Metsger, Chairman
The Honorable Mark McWatters, Board Member