

December 08, 2016

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

RE: Comments on Proposed Rulemaking Regarding Community Common Bond

Dear Mr. Gerald Poliquin,

I am writing on behalf of the California and Nevada Credit Union Leagues (Leagues), one of the largest state trade associations for credit unions in the United States, representing the interests of 276 credit unions and their more than 10 million members/consumers.

The Leagues applaud the National Credit Union Administration (NCUA) on its recent adoption of changes to the Chartering and Field of Membership Manual that modernized the federal charter and provided federal credit unions with more flexibility to serve their communities, compete in the marketplace, and remain a viable option to consumers.

We also commend the NCUA for considering recommendations from commenters that exceeded the scope of the Board's 2015 proposal and issuing this proposed rule to address those recommendations. The Leagues readily support this proposal and we offer the following comments and suggestions for further improvement.

Narrative Model

The proposal would amend the chartering and field of membership rules to give applicants for community charter approval, expansion, or conversion the option, in lieu of a presumptive community, to submit a narrative to establish common interests or interaction among residents of the area it proposes to serve, thus qualifying the area as a well-defined local community (WDLC). Currently, this narrative model is only available when adding an adjacent area to an existing or new community.

Further the proposal provides for a new appendix to the Chartering Manual that is a set of "Narrative Criteria to Identify a Well-Defined Local Community." The appendix includes thirteen criteria the Board found under the pre-2010 narrative model to be the most useful and compelling. A federal credit union (FCU) need not meet all of the narrative criteria to qualify an area as a WDLC; rather, the agency will consider the totality of circumstances within the criteria a credit union elects to address in their narrative.

The Leagues support the option of a narrative to demonstrate that the community a

FCU proposes to serve is a WDLC based on common interests or interaction among residents. We also agree with the suggested criteria in the proposed appendix and the agency's use of a totality of circumstances review. We believe this narrative approach provides FCUs with greater flexibility and will improve consumer access to credit unions.

The Board requests comments on whether to discard the "presumptive community" model and reinstate only the narrative model, or whether to give FCUs the option to elect either model. The Leagues strongly recommend giving FCUs the option to elect either model. The ease and convenience of the "presumptive community" model continues to be of value when the boundaries are not too limiting and are suited to a FCU's purposes.

Population Limit - Statistical Areas

The proposed rule would increase to 10 million the 2.5 million population limit on a community consisting of a statistical area, or other area a FCU designates under the narrative approach, subject to the FCU's commitment and ability to serve the area.

As we noted in our comments on the Board's 2015 Field of Membership (FOM) Modernization proposal, a population limit for a statistical area is not a Federal Credit Union Act requirement. We also note that neither a Core Based Statistical Area (CBSA) nor a Combined Statistical Area (CSA) is defined by the United States Census Bureau or the Office of Management and Budget (OMB) according to a maximum population.

The Leagues recommend the population limit for a statistical area be eliminated. First, any population limit for a CBSA or CSA creates unfair and unnecessary constraints when compared to a single political jurisdiction with no population limit. For example, Los Angeles County is the most populous county in the United States and has a population of more than 10 million people. A credit union can serve the entire Los Angeles County based on a single political jurisdiction. However, a credit union wishing to serve an entire CBSA or CSA consisting of multiple political jurisdictions is currently limited to a population of 2.5 million. Second, any population limit creates an imbalance between FCUs and state-chartered credit unions in California and Nevada. Both states place no population limits on community common bonds, and FOM applications are assessed by the state supervisory authority on a case-by-case basis considering the credit union's ability and commitment to adequately serve the proposed community.

If the Board elects to not eliminate the population limit for a statistical area, then we recommend the population limit for a statistical area be set to be equivalent to the most populous single political jurisdiction in the United States. This method addresses the population limit disparity between a statistical area and a single political jurisdiction and also allows for population growth over time.

The Board requests comments on whether the population limit should be set to be

equivalent to the most populous/largest single political jurisdiction *that the NCUA has approved*. While this happens to be Los Angeles County, setting the population limit to be equivalent to the most populous single political jurisdiction in the United States is more sensible and again allows for population growth over time.

Community Boundaries – Statistical Areas

The proposed rule would correct a disparity in the treatment of a community consisting of a portion of a Core Based Statistical Area (CBSA) versus that of a Combined Statistical Area (CSA).

Currently when a FCU seeks to serve a portion of a CSA as its well defined local community, that portion is *not* required to conform to the boundaries of the CBSA components that form the larger CSA, nor to the boundaries of any Metropolitan Divisions within those CBSAs.

In contrast, when a FCU seeks to serve a portion of a CBSA as its community, that portion *is* required to conform to the boundaries of the Metropolitan Divisions within the CBSA, if any.

The Leagues agree this disparity in treatment should be corrected, and we support permitting a credit union to designate a portion of a CBSA as its community without regard to division boundaries.

Conclusion

In conclusion, the Leagues applaud the NCUA for their efforts to modernize the federal charter. We fully support this proposed rule that addresses further changes to the community common bond and helps to maximize consumers' access to federal credit union services.

We urge the NCUA to adopt the narrative model as an option to qualify an area as a WDLC, to eliminate the population limit for statistical areas, and to permit FCUs to designate a portion of a CBSA as its community without regard to division boundaries.

We thank you for the opportunity to comment on the proposal and for considering our views.

Sincerely,

Diana Dykstra
President and CEO
California and Nevada Credit Union Leagues

cc: CUNA, CCUL