



SEABOARD
FEDERAL CREDIT UNION

The smart place for your money

April 25, 2018

Gerald Poliquin
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428
Via email to: regcomments@ncua.gov

Re: Federal Credit Union Bylaws ANPR

Dear Mr. Poliquin:

The Seaboard Federal Credit Union (SFCU) appreciates the opportunity to submit comments concerning the National Credit Union Administration's (NCUA) advanced notice of proposed rulemaking (ANPR) on ways to streamline, clarify, and improve the standard Federal Credit Union bylaws. SFCU serves over 13,000 members in Hancock, Penobscot, Waldo and Washington counties in Maine.

We support the recommendations submitted in a letter dated April 24, 2018 by Monique Michel, Senior Director - Advocacy & Counsel, of the Credit Union National Association (CUNA) with highlighted additions for Question #2 listed below.

2. How can the Board clarify the FCU bylaws provisions addressing limitation of services and expulsion of members?

The Act authorizes a majority of the board of directors of a credit union to expel a member based on non-participation of a member (§1764(b)). The Act also permits expulsion of a member upon a two-thirds majority vote of members during a special meeting called for such purpose, provided such member has been given an opportunity to be heard (§1764(a)). These provisions are restated in the NCUA Bylaws in Article XIV, Expulsion and Withdrawal, with §4 noting that services may be limited for "a member who is disruptive to credit union operations."

SFCU recommends the highlighted addition to CUNA's recommended examples of acts which could evidence "nonparticipation":

- failure to maintain the necessary requirements for membership,
- physical abuse or assault, harassment, or multiple incidents of verbal abuse of another member, **employee or volunteer** of the credit union,
- neglect or refusal to comply with the Act,
- habitual neglect to pay obligations or default on an obligation resulting in a financial loss to the credit union,
- theft, malfeasance, or misconduct which causes a financial loss to the credit union, and insolvency or bankruptcy.

The term “disruptive to credit union operations,” should also be clarified with agency guidance to help credit unions implement a limitation of service policy.

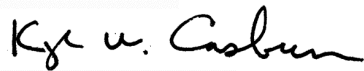
Membership should be automatically forfeited when members whose loans or extensions of credit are defaulted and charged off as a loss. Reinstatement of membership in the case of forfeiture should only be permitted upon majority vote of the board of directors.

Interim or temporary suspensions of membership should be permitted when a member engages in unacceptable conduct that poses an imminent threat to any other member, **employee or volunteer**. Such suspension should be authorized by the credit union president, president’s designee, or the board of directors. The Act is silent as to temporary suspensions, but the authority to expel or withdraw a membership is explicitly sanctioned, and providing additional guidance as to implementing such action would be permissible under the Act. If a suspension is imposed, a suspended member may be denied all services except for maintenance of a share account and voting rights.

For both suspensions and expulsions, aggrieved members should have 45 days notice to respond with a written request for hearing (to be noticed 15 days prior, via any reasonable means of communication) before a board majority either votes them out of membership, chooses to retain their membership, or otherwise acts to conclude the suspension or expulsion hearing. Such due process would satisfy potential remediation requirements under the Act. An expelled member would remain liable for any debts and/or liabilities to the credit union.

Thank you for the opportunity to provide comments on the Bylaws ANPR. Should you have any questions about SFCU’s comments, please feel free to contact me at (207) 907-2400.

Sincerely,



Kyle W. Casburn
President and CEO