

May 15, 2018

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

Re: Comments on advance notice of proposed rulemaking regarding  
Federal Credit Union Bylaws

Dear Mr. Poliquin:

I am writing on behalf of Hudson Valley Federal Credit Union (HVFCU), which serves members in the New York counties of Dutchess, Ulster, Orange and Putnam. HVFCU has over \$4.7 billion in assets and serves nearly 300,000 members. HVFCU appreciates the opportunity to provide comments to the National Credit Union Administration's (NCUA) advance notice of proposed rulemaking (ANPR) relating to the standard Federal Credit Union (FCU) bylaws. HVFCU appreciates the NCUA's initiative to solicit stakeholder comments on ways to streamline, clarify and improve the standard FCU bylaws.

*1. How can the Board clarify the FCU bylaws provisions addressing limitation of service and expulsion of members?*

HVFCU supports efforts to modernize and strengthen limitation of service provisions, including efforts by the NCUA to clarify limitation of service categories by regulation. HVFCU presently maintains a limitation of services policy that provides for service limitation when the member has inflicted financial loss, fraud, misrepresentation or abusive behavior on the credit union or its staff. The standard FCU bylaws provide that "a member who is disruptive to credit union operations may be subject to limitations on services and access to credit union facilities." It would be beneficial to credit unions for further clarity regarding the spectrum of "disruptive" actions or behaviors and the actions credit unions are permitted to take in such events.

Additionally, limiting services as a result of the above member actions (inflicting financial loss, fraud, misrepresentation, or abusive or threatening behavior), yet maintaining membership represents a significant continuing burden on the organization and its membership. Specifically, a credit union continues to incur considerable operational expense including, without limitation, data processing, reporting and compliance, when maintaining membership for accounts where the credit union has previously incurred a significant loss or its staff have endured abusive or threatening behavior. Current law requires a favorable vote of at least two-thirds of the credit union's members present at

a special meeting in order to expel members. Calling and holding a special meeting for the purpose of expelling members who have limited service due to having caused a loss to the credit union or exhibiting inappropriate behavior is a costly and burdensome requirement that only adds to the organizational burden and expense in such situations. It would be beneficial to credit unions in instances where an abusive or disruptive member has been warned in writing to cease his/her behavior and the abusive or disruptive behavior continues, such member may be expelled by a unanimous vote of the board of directors.

Accordingly, HVFCU supports targeted relief-a change to the FCU Act referenced above requiring a special meeting and vote threshold, as well as additional board of director discretion and authority to expel members in limited circumstances absent a special meeting--to make the expulsion process more relevant to the organization and alleviate the burden on remaining membership.

*2. How can the Board improve the FCU bylaws to facilitate the recruitment and development of directors?*

HVFCU appreciates the flexibility in considering candidate(s) with varied backgrounds and experience specific to each credit union's needs. We believe the bylaws should remain broad and inclusive, allowing the directorate of each credit union the latitude to best determine recruitment activities. In addition, NCUA should consider sponsoring director educational sessions as a supplemental resource in the marketplace, thereby providing valuable thought leadership in regards to director educational opportunities.

*3. How can the Board improve the FCU bylaws to encourage member attendance at annual and special meetings?*

In today's busy and highly connected world, HVFCU's recent experience suggests many members experience significant demands on their time and have difficulty finding the time to attend an annual meeting in person. Members presently participate in their credit union in many ways, including their annual vote for elections of Directors. Credit unions should be permitted and encouraged to consider and utilize secure electronic voting solution(s) as an alternative to the expense and effort of mailing traditional paper ballots to members.

As for the annual meeting itself, the requirements for written notices should encompass electronic notifications whenever possible to minimize cost to the organization and its membership. Additionally, there should be flexibility that the annual meeting may be live-streamed or recorded for later viewing on the credit union's website.

With respect to special meetings, it strikes me such meetings would be predominately related to merger votes. For those, it would be my recommendation that physical attendance need not be required. Secure virtual attendance and participation should be encouraged. Q&A's relating to the subject matter of the special meeting could be prepared in connection with the notice of special meeting, and supplemented when

necessary. Such Q&A's could be posted on the credit union's website, rather than printed and mailed out. Further, voting on the merger itself should be by secure electronic ballot whenever possible to prudently manage expense to the organization and its membership.

*4. Should the Board eliminate overlaps between the NCUA's regulations and the FCU bylaws?*

HVFCU supports removal of overlapping provisions from the standard FCU bylaws to the greatest extent possible and to make appropriate adjustments in the NCUA's regulations to maintain their substantive protections. This approach makes the most sense as it streamlines the standard FCU bylaws and appropriately leverages existing regulatory guidance on important safety and soundness topics such as conflicts of interest, member access to FCU records, and the rule governing record retention.

*5. Nonstandard Bylaw Amendments.*

With respect to the nonstandard bylaw amendments, HVFCU is supportive of efforts to streamline the process and make it more straightforward to obtain approval of proposed nonstandard bylaw amendments. In the spirit of transparency, NCUA should publish and make available on its website a searchable database of approved nonstandard bylaws so that all credit unions may benefit with access to such knowledge.

*6. Article IV, Section 5 Regular and Special Meetings.*

HVFCU is supportive of modernization efforts to the standard FCU bylaws to reflect the evolving manner in which technology enables Directors and volunteers to exercise his/her fiduciary duty to govern and guide the strategic direction of the organization. Specifically, HVFCU welcomes further clarity and flexibility regarding the permissibility of virtual attendance and participation, including voting, at Board of Directors meetings and Committee meetings. If secure and reliable technology exists that permits Directors and volunteers to virtually attend and participate in various meetings, the standard FCU bylaws should be amended to reflect the permissibility of using existing and future technology by removing the limitation to "audio or video teleconference methods."

Thank you for the opportunity to comment on this ANPR and for considering the industry's views on ways to improve the standard FCU bylaws.

Best regards,



Mark D. Timmerman  
VP-Legal, Corporate Compliance and Risk

Cc: Mary D. Madden, President/CEO