



Submitted via email: regcomments@ncua.gov

Dec. 9, 2019

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

Re: Proposed Rule & Supplemental Statement, Chartering & Field of Membership
RIN 3133-AF06

Dear Mr. Poliquin:

On behalf of Wisconsin's credit unions® and their 3.3 million members, the Wisconsin Credit Union League is commenting to express its support of the National Credit Union Administration's (NCUA's) proposal to amend its chartering and field of membership (FOM) rules with respect to applicants for a community charter approval, expansion, or conversion.

In 2016, the NCUA proposed to comprehensively improve its chartering and field of membership (FOM) rules. Among other things, the NCUA proposed to let an FCU designate a Combined Statistical Area (CSA), or an individual, contiguous portion of CSA, as a well-defined local community that it could serve – provided that the chosen area had a population of 2.5 million or less – and it eliminated the requirement to serve the core of a Core-Based Statistical Area (CBSA). The American Bankers Association sued. The federal trial court upheld the provisions related to a core area service requirement for CBSAs. In August 2019, the D.C. Circuit Court of Appeals reversed that aspect of the lower court's ruling, remanding the issue to the NCUA for further explanation without vacating the provision.

In response to that decision, the NCUA's current proposal provides further explanation and support for eliminating the requirement to serve the CBSA's core area. The NCUA also proposes to add a provision to address concerns about potential discrimination in the FOM selection for CSAs and CBSAs. Finally, the NCUA proposes to re-adopt a provision to allow an applicant to serve a portion of a CBSA up to a 2.5 million population limit, even if the CBSA's total population is greater than 2.5 million

The League supports these proposals. In particular, we believe that removing the core area service requirement would give FCUs needed flexibility to serve low- or moderate-income segments of communities in areas outside the cores. The amendment would free FCUs to focus on how to best serve the areas that most need their services, without imposing undue requirements for which some FCUs may lack the resources.

Banks and bankers' groups, including the Wisconsin Bankers Association, have submitted scores of form letters to the NCUA, warning that the proposal would somehow "create a heightened risk of discriminatory activity" and increase "potential redlining and other discriminatory actions." They overlook two key facts:

The Wisconsin Credit Union League

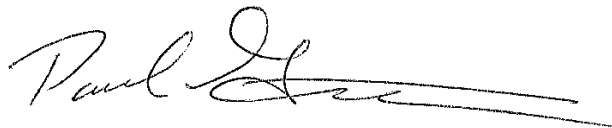
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1. FCUs can have many valid business reasons for choosing to serve or not to serve a CBSA's core. As the proposal explains: "Serving a large and densely populated core area may often require establishing a significant geographic footprint throughout the core, with significant expenditures for rent, overhead, and other expenses, which a nascent FCU may not have the resources to cover. But by the same token, densely populated cores will often be an attractive option for FCUs who have the required resources and seek to serve a large and diverse field of membership."
2. Unlike banks, the longstanding mission of FCUs, as codified by Congress in the Federal Credit Union Act, is to meet the credit and savings needs of consumers, especially persons of modest means. With this mandate in mind, the proposal expands the NCUA's authority to reject a credit union's application for CSAs and CBSAs if it finds the FOM was chosen "based on discriminatory intent or a desire to exclude low- or moderate-income individuals." The NCUA "would retain clear discretion to require additional information, conduct an inquiry, and ultimately reject an initial application, expansion, or conversion, if [it] finds discrimination in the selection of a portion of a CSA or a CBSA, thus minimizing the likelihood of redlining. In this context, the Board notes that many FCUs may choose not to serve core areas because they lack the financial wherewithal, not for discriminatory reasons."

It's as if the bankers didn't read the NCUA's proposal. They call for "more" safeguards without explaining why they believe the proposed safeguards are inadequate. They ignore that there is no evidence of FCUs engaging in discriminatory gerrymandering to begin with; that the NCUA's system would thoroughly protect against any potential discrimination; that the proposal addresses every questions raised in the August 2019 Court of Appeals opinion; and that the extensive data cited in the proposal supports eliminating the "core" requirement. Contrary to the bankers' assertions, finalizing this proposal would enable FCUs to serve *more* low- or moderate-income individuals.

The Wisconsin Credit Union League fully supports the NCUA's proposal. It would let FCUs extend service to areas that now may have little access to mainstream financial service providers. As a result, the changes would help make responsible, affordable financial resources available to many more Americans, especially those of modest means.

Sincerely,



Paul Guttormsson
Vice President of Legal & Compliance
The Wisconsin Credit Union League