



January 9, 2019

Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314

RE: Federal Credit Union Bylaws (RIN: 3313-24169)

Dear Mr. Poliquin:

On behalf of Randolph-Brooks Federal Credit Union ("RBFCU"), this letter is being submitted in response to the National Credit Union Administration's ("NCUA") proposed rule regarding federal credit union ("FCU") bylaws. We greatly appreciate the opportunity to comment.

Introduction

On March 15, 2018, the NCUA Board ("Board") issued an advance notice of proposed rulemaking ("ANPR") soliciting comments on how to update, clarify, and simplify the federal credit union bylaws ("FCU Bylaws"). The Board solicited comment on a variety of issues including: (1) improving the bylaw amendment process within the NCUA; (2) addressing ambiguities in the FCU Bylaws allowing for an FCU to limit services to a member and expel a member; and (3) methods to facilitate recruitment and development of directors. Based on the comments received in response to the ANPR, the Board is now proposing to make revisions to modernize the FCU Bylaws.

FCU Bylaws Amendment Process

In the 2018 ANPR, the Board requested comment on improving the bylaw amendment process. In RBFCU's letter dated May 21, 2018, we stated that the Office of Credit Union Resources and Expansion ("CURE") should adopt a deadline to process bylaw amendments. Specifically, we requested a 30-calendar day deadline to ensure that amendments are processed as expeditiously as possible. The current proposed rule offers a 90-calendar day deadline, but the Board requests comments on whether another time period, such as 60 calendar days, would be more appropriate. As stated in our initial comment letter, brevity is critical during the bylaws

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amendment process because it allows credit unions to address pressing operational concerns. Consequently, we favor a 60-calendar day deadline over a 90-calendar day deadline.

Members in Good Standing

A member in good standing retains all the rights and benefits of FCU membership. To remain in good standing, a member must be current on credit union loans, avoid engaging in any violent, belligerent, disruptive, or abusive behavior towards credit union staff or other credit union members in the FCU or its surrounding property, and not cause a financial loss to the credit union. A member that fails to observe any of these basic requirements may be subject to a loss of or limitation upon the benefits of membership, including reasonable limitations of service or access to credit union facilities pursuant to the FCU's limitation of services policy.

In the proposed rule, the Board states that terms such as "violent," "belligerent," "disruptive," and "abusive" are subjective and, therefore, may not provide FCUs with absolute clarity regarding the circumstances under which a limitation of services or access to credit union facilities may be appropriate. To address this subjectivity, the Board requested examples of situations which would constitute the aforementioned terms. In RBFUCU's experience, examples of such behavior may include but is not limited to sexual harassment of employees, direct threats of harm to an employee or the credit union, damage to property, direct threats to rob the credit union, and other forms of harassment such as gender and/or racial slurs, and the use of profane language.

While the above examples illustrate actions which may result in limitation of services, it is important to note that Article 2, Section 4 of the bylaws is written in broad terms, and *we believe this terminology should be maintained*. Specifically, it states a "member who is disruptive to credit union operations may be subject to limitations on services and access to credit union facilities." RBFUCU believes this language gives credit unions the appropriate latitude and flexibility to craft a limitation of services policy that best suits the needs of a credit union.

Expulsion of Members

Currently, in accordance with the FCU Act, there are two ways a member may be expelled: (1) a two-thirds vote of the membership present at a special meeting called for that purpose, and only after the individual is provided an opportunity to be heard; and (2) for non-participation in the affairs of the credit union, as specified in a policy adopted and enforced by the board. Additionally, the FCU Act and NCUA's regulations do not prohibit an FCU, as it deems

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appropriate, from denying all or most credit union services such as ATM services, credit cards, loans, share draft privileges, preauthorized transfers, or access to credit union facilities to a member that has engaged in some objectionable conduct that has caused a loss to the FCU or that threatens the safety of credit union staff, facilities, or members.

Despite the above, RBFCU believes greater latitude should be given to a credit union's board of directors to expel members. Specifically, the board of directors should be granted authority to adopt a policy which lists certain criteria for expelling a member, such as defrauding the credit union, using the credit union's services in furtherance of illegal purposes, or causing losses to the credit union. Although a credit union can limit services to a member, it bears hard and soft costs as they deal with members who are engaging in illegal activity or defrauding the credit union. Managing such abuse requires the expenditure of significant resources in the form of human capital, legal fees, and/or other monetary costs which may arise to effectively deal with these members.

Board of Directors

In our previous letter to the NCUA regarding FCU bylaws, RBFCU argued that the board of directors should be recompensed for their time spent on preparing and attending meetings. This stems from: (1) a director's responsibility and potential personal liability in managing the direction of a credit union; (2) the necessity of an FCU to identify and recruit highly educated and skilled professionals; (3) state chartered credit unions are allowed to reasonably compensate their board which places FCUs at a competitive disadvantage when hiring the most talented professionals; (4) and major market meltdowns such as the financial crisis of 2008 have resulted in more complex and stringent financial regulations.

As a result, RBFCU would like to reiterate that credit union directors must be more skilled and educated than ever before in order to effectively manage the new challenges that have arisen from the current regulatory environment. As RBFCU prepares to reach \$10 billion in total assets, we believe it is increasingly important that we are armed with the necessary tools to recruit and develop directors. Allowing us to recompense directors for their time and service offered would greatly help us in our credit union operations and will also allow us to continually offer exceptional member service to our members.

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Conclusion

In closing, we would like to once again thank you for the opportunity to comment on this proposed rule on FCU bylaws which we feel is very important to our credit union and the credit union industry.

Sincerely,

Mark Sekula
Chief Financial Officer, EVP
Randolph-Brooks Federal Credit Union

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