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January 14, 2019

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

Re: 12 C.F.R. 701 – Proposed Rulemaking, 83 Fed. Reg 56640 (November 13, 2018) FR  
Docket 2018-24169 RIN 3313-AE86]

Dear Mr. Poliquin,

On behalf of SEFCU, we would like to thank the National Credit Union Administration (NCUA) Board for inviting us to comment on the notice of proposed rulemaking related to the Federal Credit Union (FCU) Bylaws.

SEFCU appreciates the opportunity to provide feedback to NCUA about issues contained in the Bylaws that we deem to be vital to the present and future of the credit union movement. In its May of 2018 comment letter, in response to the Advanced Notice of Proposed Rulemaking, SEFCU provided comprehensive responses to the questions posed by NCUA and we brought forth ideas for additional issues that we think would go a long way in keeping the credit union movement viable in the future. We are pleased that NCUA continues to show an interest in proactively streamlining, clarifying and improving the content of the Bylaws, as well as the Bylaw amendment process. It is our hope that NCUA will continue its commitment to making the Bylaws as relevant as possible, while at the same time reducing regulatory burden on credit unions. As the contract between the credit union and the membership, it is critical that the Bylaws have meaning for both parties and we support changes that would make the Bylaws clearer for all parties and to ease the process for amendments.

While we see merit in many of the issues raised in the proposal, rather than comment on each one, we encourage NCUA to continue to write the Bylaws in a way that permits federal credit unions to make choices from multiple options provided. This includes issues such as the timing and reasons for removal of board and supervisory committee members, allowing credit unions to notify members of annual and special meetings in ways that makes sense based on the makeup of the membership, and options related to electronic voting and video streaming of membership meetings. We understand that consistency is important across the industry, however, each credit union is unique and is

in the best position to determine how to most effectively manage board participation and communicate with members about and during membership meetings.

### **Expulsion and Denial of Services**

One area that we feel we need to focus our comments on is treatment of abusive members. SEFCU feels very strongly that change is needed where expulsion and denial of services of abusive members are concerned. While we appreciate that NCUA addressed this issue in the ANPR earlier in 2018, and again in the proposal, we do not feel that NCUA went far enough in providing options and support for credit union that are dealing with a very difficult situation.

SEFCU recognizes that denying services and expelling credit union members is a sensitive matter, and that membership is one of the most basic and most important differences between credit unions and other types of financial institutions. SEFCU also acknowledges that expulsion from membership is governed by the FCU Act, which 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, and by a majority of the board of directors based on nonparticipation of a member.

We appreciate that NCUA is attempting to use a newly implemented definition of “member in good standing” to hopefully gain traction in helping members understand how they should behave. However, this approach simply does not go far enough in giving credit unions the right to require members to act in a dignified manner while conducting business with their credit union. Denial of services does not stop the member from having an account and therefore does nothing to change the perception that they are in control of the interaction with credit union staff. If expulsion were on the table as a more immediate consequence, it is our belief that members would recognize their responsibility to act appropriately or risk being expelled from membership.

Requiring a credit union to call a special meeting to expel members for abusive and other disruptive behavior is simply not appropriate. Credit union staff, other members and other third-parties are often in harm’s way when in the presence of these members. Calling a special meeting to give the abusive member an opportunity to be heard is tantamount to providing a soapbox and megaphone to continue inappropriate behavior. The risks are a hijacked membership meeting and a security nightmare for all involved.

Credit unions are at a severe disadvantage when dealing with members who are abusive and disruptive. For example, SEFCU is not permitted to swiftly and immediately expel a member for sexually harassing an employee or other member, but SEFCU faces potential legal liability for an employee or member being sexually harassed by a member. Simply because of the membership relationship, it is too difficult today to

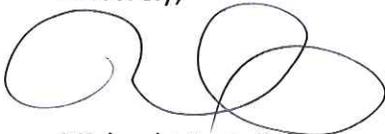
expel a member. There isn't a level playing field with other financial institutions. The Act's expulsion provision is antiquated, raises very challenging safety concerns, and our hands are tied when the expulsion from membership needs to happen immediately for everyone's safety.

Waiting for possible Congressional action on this in the form of an amendment to the Federal Credit Union Act does not provide credit unions and their members with the immediate and necessary right to expel members for behavior that frankly would not be tolerated in any other place of business and that raises the possibility of legal action for not taking appropriate steps.

SEFCU would like to see NCUA use its regulatory power to include expulsion by an act of the credit union's board of directors by adding abusive behavior to the definition of nonparticipation. We understand that nonparticipation, in the normal use of the word, means the member is not utilizing the credit union's products and services. However, we believe that NCUA could craft bylaw language that would include "inappropriate" use of credit union products, services, and facilities (branches and the call center) as a form of nonparticipation, thus giving the board the ability to vote on the expulsion without informing or involving other members.

Once again, we would like to thank the NCUA Board for the opportunity to comment. We would be happy to further discuss this matter, if you so desire.

Sincerely,

A handwritten signature in black ink, consisting of several overlapping loops and curves, positioned above the typed name.

Michael J Castellana  
President and CEO  
SEFCU