

Cooperative Credit Union Association

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Creating Cooperative Power

February 10, 2021

Ms. Melane Conyers-Ausbrooks
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

RIN 3133-AF23

Re: Cooperative Credit Union Association Inc.'s Comments on Proposed Rule: Chartering and Field of Membership-Shared Facility Requirements

BY ELECTRONIC MAIL: <http://www.regulations.gov>

Dear Ms. Conyers-Ausbrooks:

On behalf of the member credit unions of the Cooperative Credit Union Association, Inc. (“Association”), please accept this letter relative to the request for comments issued by the National Credit Union Administration Board (“NCUA”) on a proposed rule (“proposal”) relative to chartering and field of membership shared facility requirements. The Association is the state trade association representing approximately 200 state and federally-chartered credit unions located in the states of Delaware, Massachusetts, New Hampshire, and Rhode Island which further serve over 3.6 million consumer members.

The thrust of the proposal is to modernize requirements related to service facilities. The proposed rule would confirm the definitions of service facility for purposes of multiple common bond federal credit union additions of select groups as well as for credit union expansion into underserved areas. Additionally, the proposal seeks comment on the inclusion of a credit union’s transactional website to count as a service facility for purposes of adding a group or an underserved area. The Association supports the proposed definitional changes as well as the inclusion of transactional websites as service facilities simply because the strict understanding of “service facility,” tied to a physical location has been rendered obsolete in today’s world with the advances in the delivery of financial services through technology.

I. Proposed Changes to Definition of “Service Facility”

The Association strongly supports the proposed changes to the definition of “service facility” both for multiple common bond (“MCB”) federal credit unions (“FCUs”) and for expansions into underserved areas. To date, access to financial services has been improved and enhanced through technological advancements evidenced by shared locations and shared branching networks. These types of shared facilities, when considered in the context of the Federal Credit Union Act’s requirement for “reasonable proximity” for additions of certain groups and

NCUA Comment Letter Field of Membership Shared Facility Requirements

February 10, 2021

Page 2

underserved areas, render the current restrictions on each distinct definition of “service facility” unnecessarily restrictive and complicated.

Currently, as noted in the proposal, there are three distinct definitions of “service facility” throughout the Chartering Manual. There is no definition of “service facility” within the Federal Credit Union Act. The NCUA is proposing to include any shared branch, shared ATM, or shared electronic facility in the definition of “service facility” for an FCU that participates in a shared branching network. The FCU need not be an owner of the shared branch network for the shared branch or shared ATM to be a service facility. These changes would apply to the definition of service facility both for additions of select groups to MCB FCUs and for expansions into underserved areas.

The change is appropriate in the context of adding a select group to MCB FCUs as the current ownership requirement is needlessly limiting. Shared branching has changed dramatically, from its inception as physical locations designed for shared use jointly owned by a group of credit unions, to what is now a vast virtual network where credit unions use their existing branches and ATMs as shared locations, usually without separate facilities to serve as shared branches. Due to these developments over time, the ability to obtain the ownership interest required by the current definition is difficult if not impossible in many cases, and ignores member demand, the way services are offered, and the manner that business is conducted in the current marketplace.

The same reasoning exists in the context of adding underserved areas. In accordance with the Act, an underserved area may be added if the credit union establishes and maintains an office or facility in the underserved area at which credit union services are available. Members have the same access to services at shared locations regardless of the credit union’s ownership interest. With continuing technological advances, members will be able to obtain the services they need through using ATMs or other electronic facilities combined with telephone or email communications with credit union staff. In light of the changes to the manner in which consumers access financial services, the proposed changes are timely and appropriate. The Association also strongly notes that allowing credit unions the option to electronically provide services to members in underserved areas through electronic means has become especially important during the COVID-19 pandemic.

Finally, the changes are supported as they conform the various definitions of “service facility” throughout the Chartering Manual into one, single definition applicable to all contexts, thereby adding flexibility and providing clarity, simplification of requirements, and ease of understanding.

II. Additional Request for Comment on Transactional Websites and Mobile Banking Applications

While neither the proposed rule as set forth by the NCUA nor the current rule permit a credit union’s transactional website to count as a service facility for purposes of adding a group or an underserved area, the NCUA has requested additional comment on whether such a website and mobile banking applications should be included in the definition of “service facility.”

NCUA Comment Letter Field of Membership Shared Facility Requirements

February 10, 2021

Page 3

As noted in the proposal, “the proportion of financial services delivered through transactional websites has continued to increase.”¹ This has proven no truer than throughout the COVID-19 national pandemic. When the country shut down, financial hardships increased which resulted in a corresponding increase in demand for financial services by both consumer and business members. This challenge became compounded quickly by social distancing requirements to meet safe health standards. Within an incredibly condensed timeframe, credit unions responded to the call by providing telephone, online, ATM and other means of access that do not require face-to-face contact or even a physical facility. Whether through increased online banking using a computer, accessing mobile banking applications, or making online banking transactions such as account opening or loan approvals, there has been no greater example of not only the importance but the necessity of non-physical, online banking than the recent national crisis. The pandemic has established that transactional websites and mobile banking applications are a critical, and possibly the most important means of delivering financial services, making it both appropriate and necessary to include them in the definition of service facilities, as credit unions are already successfully using them as service facilities.

Amending the definition to allow for modern technology to be utilized in determining whether “service facility” is present for purposes of demonstrating reasonable proximity to a group, including access through an online internet channel such as a transactional website or mobile platform, would also be a positive step in recognizing online banking users. Consistent with the Association’s views on the underlying reasons for the supported change in the definition to “service facility,” associations need not define their membership by a service area of a credit union to be included in a field of membership. With the development of electronic delivery methods to access financial services, geography, location, and physical branches are parameters which are no longer an accurate representation of the scope of a service area. Equally important to the Association’s members is the use of technology as a service facility, which will also help to attract younger generations and millennials. Members continually observe that this population group is accustomed to, and seeks from their credit union, quick electronic delivery of products and ease of use. Such technological considerations will allow credit unions to better attract and serve the group, thereby reaching out to those in need as well as providing a path to diversifying their membership base.² Accordingly, inclusion of such criteria in the proposal is supported.

The Association also emphasizes that preference of delivery channel for financial services and availability of financial services are distinct issues. Regulatory service facility requirements mandate availability, and not preference, and do not purport to consider one method of providing services as superior to another. Decoupling the service facility requirement from a physical presence is a necessary step in allowing credit unions to reach more Americans to provide them

¹ NCUA Proposed Rule: Chartering and Field of Membership-Shared Facility Requirements, RIN 3133-AF23, *Federal Register*, Vol. 86, No. 6, at 1829.

² The Association has recognized the increasing importance of technology in financial services for years, having advocated in its December 9, 2016 comment letter to the NCUA on proposed field of membership changes for the inclusion of transactional websites within the definition of “shared facility” at that time.

NCUA Comment Letter Field of Membership Shared Facility Requirements

February 10, 2021

Page 4

with necessary financial services, and does not deter or take away from the classic understanding of the face-to-face financial services that credit unions provide to their members.

III. Conclusion

Thank you for the opportunity to share views on the proposal relative to chartering and field of membership shared facility requirements. The Association respectfully requests that the rulemaking proposed continue to advance as expeditiously as possible as the unprecedented pandemic continues. If you have any questions about the recommendations set forth in this comment letter or require further information, then please do not hesitate to contact the Association at govaff-reg@ccua.org.

Sincerely,



Ronald McLean
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Cooperative Credit Union Association, Inc.
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