



January 23, 2014

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

12 CFR Part 701
RIN 3133-AE34

Dear Mr. Gerard Poliquin:

On behalf of the Credit Union Association of New York, I would like to take this opportunity to comment on NCUA's proposed regulation banning in-home credit unions and mandating that existing home-based credit unions acquire office space within two years. This proposal should be modified to permit home-based credit unions to continue, but in a manner that addresses the legitimate safety and operational concerns raised by NCUA.

In putting forward this proposal, NCUA implicitly argues that home-based credit unions are vestiges of a less sophisticated era of credit union development. This fact alone doesn't justify imposing a regulatory requirement that will force some of these credit unions to liquidate, rather than find office space. Many credit unions started as home-based credit unions, and today's institutions should be given the same flexibility to evolve organically.

According to its preamble, this proposal is a response to concern for the safety of examiners and a belief that a house is simply not an appropriate place to conduct an audit. However, it is unclear from the preamble whether these concerns are in response to specific instances demonstrating that home-based credit unions pose systemic dangers to examiners or mere speculation about potential hazards. After all, credit unions have been operating out of homes since their creation, and NCUA has only now decided that the risks outweigh the benefits. These credit unions deserve to know why their business model is no longer viable before NCUA takes such drastic action.

The concerns of examiners should by no means be dismissed; however, they can be addressed without mandating that all credit unions move outside the home. NCUA should codify its existing practice, giving examiners the right to require that audits take place outside a person's home. The regulations could mandate, for example, that audits be conducted at an NCUA regional office or (when that is not practical) at another credit union that is willing to provide space.

Leading the Way

In addition, safety and soundness concerns can be addressed for home-based credit unions in the same manner that they are addressed for office-based institutions. When a credit union is not complying with necessary regulations, it should be held accountable for its failure. Conversely, NCUA should not be allowed to categorically conclude that all credit unions operated out of a home are incapable of operating with safety and soundness.

The symbolic importance of home-based credit unions as evidence of the uniqueness of the credit union movement should not be underestimated. In fact, national news outlets have highlighted home-based credit unions to demonstrate how credit unions, unlike their banking counterparts, are not-for-profit institutions predicated on members' common bonds (See CBS News article, "A Credit Union That's all in the Family," at <http://www.cbsnews.com/news/a-credit-union-thats-all-in-the-family-23-06-2013/>.) In addition to their symbolic importance, these credit unions are operated in a way that cost effectively meets the needs of their members. They should be allowed to continue to do so.

Sincerely,

A handwritten signature in black ink, appearing to read "W J Mellin". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

William J. Mellin
President/CEO