

September 23, 2013

The Honorable Debbie Matz, Chairman
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

Dear Ms. Matz:

The American Bankers Association (ABA) would like to commend the National Credit Union Administration (NCUA) for its recent letter to federal credit unions about potential violation of common bond advertising requirements. Given the valuable taxpayer subsidy that credit unions receive, NCUA has an obligation to ensure that all federal credit unions are upholding membership standards.

ABA has become aware that Kinecta Federal Credit Union (Kinecta) of Manhattan Beach, California is using the Consumers Cooperative Society of Santa Monica (CCSSM) to qualify individuals, who otherwise are ineligible, for credit union membership. ABA believes that Kinecta is improperly using this association to sign up members without a common bond.

Kinecta's online application (see attachment) states "if you are not in any of the categories above, you can join through the Consumers Cooperative Society of Santa Monica. Kinecta will process the enrollment into CCSSM for you. (\$10 fee for CCSSM applies)."

However, ABA questions whether this transaction meets the requirement of an associational common bond. National Credit Union Administration's Chartering and Field of Membership Manual states that "[a] single associational common bond consists of individuals (natural persons) and/or groups (non-natural persons) whose members participate in activities developing common loyalties, mutual benefits, and mutual interests."

This simultaneous affiliation with an association and a credit union undermines congressional intent that there needed to be "a meaningful affinity and bond among members, manifested by a commonality of routine interaction, shared and related work experiences, interests, or activities, or the maintenance of an otherwise well-understood sense of cohesion or identity."

ABA requests that National Credit Union Administration (NCUA) order Kinecta to cease processing individuals for membership in the Consumers Cooperative Society of Santa Monica in order to facilitate their joining Kinecta. There needs to be a meaningful affinity and bond among CCSSM members so as to satisfy the associational common bond requirements. Membership in CCSSM needs to be more than the checking of a box on a credit union's membership application.

In addition, ABA believes that NCUA should notify all federal credit unions that there needs to be a meaningful affinity and bond among associational members. Individuals must belong to the association prior to joining the credit union and that it is impermissible to sign up an individual for membership in an association at the same time the individual is applying to join the credit union.

In closing, as ABA becomes aware of other examples of credit unions improperly using associations to sign up members, ABA will notify NCUA of these improprieties.

Sincerely,

A handwritten signature in black ink, appearing to read "Keith Leggett". The signature is written in a cursive, flowing style.

Keith Leggett
Vice President & Senior Economist

Attachment

