



July 8, 2021

Ms. Ann E. Misback, Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue NW  
Washington, DC 20551

Re: Docket No. OP-1747  
Proposed Guidelines for Evaluating Account and Services Requests

Dear Ms. Misback:

I am writing to provide comments on the Board's Request for Information on Proposed Guidelines for Evaluating Account and Services Request as initiated by the Board on May 11, 2021.

As President/CEO of American Share Insurance (ASI), an Ohio-based company that presently insures the deposits of 106 state-chartered credit unions in 10 states across the nation, I have a strong interest in ensuring that state-chartered, privately insured credit unions receive treatment in the Federal Reserve's account and services request process consistent with that applied to state-chartered, federally insured credit unions. ASI-insured credit unions are state-chartered, state-regulated and subject to the same regulatory requirements as are state-chartered, federally insured credit unions in their respective states. In all aspects, ASI-insured credit unions are regulated like any other state-chartered credit union – but, simply not federally insured.

ASI is an approved share guaranty corporation under Ohio law, subject to regulation by the Ohio Department of Commerce as well as regulation and annual licensure by the Ohio Department of Insurance. In addition, ASI is also subject to regulation by state credit union regulators in its nine other states of operation. ASI has been successfully insuring credit union member deposits since 1974, and has been subject to specific federally-mandated operating and reporting requirements since 1991 with the passage of the FDIC Improvement Act of 1991, whose provisions have been regulated by the CFPB since 2011, and the Federal Trade Commission before that. The Federal Deposit Insurance Act, as amended in 1991, also recognizes state-chartered credit unions insured by a duly approved private deposit insurer (such as ASI), as "depository institutions" [12 U.S.C. 1831t], which further subjects these non-federally insured credit unions to federal regulatory oversight by the CFPB.

Additionally, in 2015, as part of the FAST Act, P.L. 114-94, the U.S. Congress provided non-federally insured credit unions access to the Federal Home Loan Bank System, so it is evident that Congress has acknowledged our unique role in the credit union system as well as state-chartered, privately insured credit unions. More recently, on April 24, 2020 the President signed into law Public Law 116-139. This act revised the PPP loan program and set aside \$30 billion for credit unions with assets of less than \$10 billion - which includes all privately insured credit unions. At

the urging of many in Congress, PL 116-139 also changed the definition of a credit union in Division A, Section 101 (d) (xii), and defined credits unions as including a “state credit union,” as defined in Section 101 of the Federal Credit Union Act. This by definition includes all privately insured credit unions.

As additional background, credit unions operated from 1935 to 1971 absent any form of deposit (share) insurance. In fact, the earliest forms of deposit insurance for credit unions date back to 1958, and they were private, state-approved programs. With the passage of Title II of the Federal Credit Union Act in 1970, however, the National Credit Union Share Insurance Fund (NCUSIF) was created to insure all federally chartered credit unions, while providing federal share insurance to those state-chartered credit unions electing to be federally insured. It is important to note that under Title II of the Federal Credit Union Act, state-chartered credit unions are not required to be federally insured, and are permitted to have other forms of state-approved deposit (share) insurance, such as ASI. ASI is currently the only insurer of this type in America and is insuring state-chartered credit unions whose individual members democratically voted to be privately insured.

Further, the Federal Reserve’s request for information notes a “recent uptick” in “non-traditional” charters and an increase in “novelty inquiries” as the driving forces behind the need to revisit its process for handling account and services requests.

***ASI contends that privately insured credit unions are neither “non-traditional” financial institutions nor do they represent “novelty inquiries” to the Federal Reserve. As a result, they should not be singled out as other than a state-chartered credit union following the laws of their respective states, like any state-chartered, federally insured credit union would. State-chartered credit unions have been operating for 100 years, and many have been privately insured for almost 50 years. This clearly does not constitute a “recent uptick” in “non-traditional” charters.***

The Board has also set forth six key principles for use in determining an applicant’s access to its accounts and services, which we believe our insured institutions conform to; they include:

1. ASI-insured credit unions are already eligible to be members of the Federal Reserve Bank. In fact, many are currently members and have enjoyed the services provided by their respective Reserve Banks for years.
2. Points two, three and four of the Bank’s request inquire as to the potential undue risk an applicant may pose to their respective Reserve Bank, the nation’s payment system and the stability of the financial system as a whole. Our institutions pose no risk to any of these three subjects, since they are relatively small in size. As evidence, privately insured credit unions range in size from under 1\$ million to \$1.5 billion in total assets, with the average-sized privately insured credit union reporting total assets of \$170 million as of December 31, 2020.

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3. As to point five of the request, ASI contends that our insured credit unions are currently compliant with all BSA/AML governing statutes and FinCEN rules, as attested to by state credit union regulators, and the IRS – which is FinCEN’s designated federal authority for assessing the BSA/AML compliance of all privately insured credit unions.
4. Finally, as to the Bank’s sixth principle of advancing monetary policy. ASI credit unions serve a cross-section of America, including teachers, firefighters, police, government employees and small businesses, and many of our credit unions provide aid to unbanked, low-income communities. This service profile is the cornerstone of the credit union movement, and our insured credit unions are firmly committed to that mission.

In closing, we thank you for your consideration of our views and interest in the Federal Reserve’s efforts to discourage misuse of the services afforded – and needed by - the traditional credit union industry, and hope that when the Federal Reserve takes additional regulatory action in this area, it will carefully consider the long standing and valuable contributions of our privately insured credit unions to our financial system and give them fair and equal evaluation compatible with that afforded all state-chartered credit unions in their account and services request process, as they have done in the past.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Dennis R. Adams". The signature is fluid and cursive, with a large initial "D" and "A".

DENNIS R. ADAMS  
President/CEO

DRA/jrd