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# OSU Federal

Your Community Credit Union™

March 7, 2006

JoAnn Johnson, Chairman  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428

Chairman Johnson:

I am writing to provide comment regarding proposed amendments to the agency's Chartering and Field of Membership Manual. I appreciate this opportunity to provide input prior to any final decisions being made. I also want to add that I am familiar with the regulations, pending litigation and the strategy for these amendments.

OSU Federal received its original community charter in 1997 and has since added three additional communities, two of which were added as underserved areas. Our members could be dramatically impacted by the amendments that the National Credit Union Administration (NCUA) is considering, particularly if they would be retroactive.

As the NCUA considers this amendment strategy, I think it's imperative that consideration be given to the disparate impacts this action may create on federally chartered credit unions when federal rules are compared with individual state chartering options. For many years states have gone to great measure to ensure as much charter parity as possible. Actions by NCUA could put all federally chartered credit unions at an immediate competitive disadvantage, and may force many to convert to the charter option that will allow them to best serve their current and future membership. These proposed amendments, without hint of legislation, put the dual charter system in serious jeopardy. The State of Oregon, as does many other states, approves charter expansions with much greater leniency than does the NCUA. We have chosen to maintain our federal charter because of perceived advantages to our membership. The proposed changes could force us to re-evaluate our choice.

NCUA's first proposed amendment—"Underserved expansions outside the field of membership would be limited to only multiple common-bond credit unions"—clearly is a departure from the agency's prior direction and the initiatives of *Access Across America*. If NCUA feels strongly that prior interpretations of the Membership Access Act are incorrect, then this change should be made. If, on the other hand, NCUA is confident in their interpretation, this change should not be made. Regardless, I strongly encourage the

agency to take the steps necessary to allow all credit unions to serve underserved areas, especially in light of the recent attacks of the banking industry and some members of Congress who feel we do not serve the underserved.

The second proposed amendment requires that a federal credit union establish a facility within two years of the addition of an underserved area. While we have practiced this within our field of membership, it must be noted that state chartered credit unions in Oregon do not have this same requirement. It is prudent business practice that any organization undergoing an expansion would assess the most critical locations and look to develop a facility, but as we, and others, have experienced, it is not always feasible to do so within a specified time period. Factors such as real estate availability, landlord/seller negotiations, and local codes or regulations dramatically impact the timeframe in which a facility can be deployed. A steadfast timeframe will force credit unions to locate in substandard locations, ultimately impacting their ability to serve, and could impact safety and soundness. I strongly encourage NCUA to use language that does not mandate a timeframe. It is also imperative that shared branch locations continue to be considered a branch location that will serve an underserved area.

You have requested further comment on NCUA's authority to permit expansions for all three federal charter types. I fully support fervent pursuit of this as the end result. For credit unions to continue to provide choice to consumers, everyone should have an option for credit union membership. The strength of our community charter has empowered us to provide service to underserved areas. As with any cooperative, it takes individuals from each socio-economic stratum to make the cooperative work. Limiting the charter type to multiple common-bond credit unions does not take into account the expertise that is developed by a community-chartered credit union in serving multiple segments of a community.

As a community chartered credit union, we have invested money and human resources in each community we serve, not because it is mandatory, but because we believe in being a part of the community. Once an organization becomes an integral and contributing member of a community, it only causes harm to remove that organization's ability to continue being a valued resource for financial support, volunteerism and economic health. Once a field of membership has been established, retracting it will be detrimental to the current members and the communities where they live, work or go to school in. As an example, over the past two years we have contributed \$65,385 through human resources, sponsorships, scholarships, or direct donations in the two underserved areas within our field of membership, and hundreds of community hours have also been donated by staff. Our inability to continue serving those areas would remove valuable resources from local schools, community groups and the economy. Additionally, it would remove jobs, tax dollars, and financial institution choice.

We, as with many other federally chartered credit unions, have invested in infrastructure to serve these areas. Our capital investments within our current underserved areas are \$2,690,562, loans total \$37,685,260, and share deposits are \$16,759,339. We average 125 new loans per month and gain \$300,000 in share deposits on average. OSU Federal offers a payday loan alternative to our members. During 2005 our members saved approximately \$5,600 to \$11,800 in interest and other charges. Payday lenders charge anywhere from \$15 to \$30 per \$100 loaned for an effective APR of 365% to 525%. On a \$100 loan at OSU Federal our members would pay approximately \$1.48 per \$100 for an effective APR of 18%. We have provided home loans to 11 first time homebuyers, totaling \$1,353,000 and are piloting a program that targets and assists the low-income in establishing savings and aid them in managing credit.

If we were required to divest the members in our underserved areas and remove our presence in the community, the negative impact to the credit union would equate to an immediate impact of \$198,000, which includes the costs of notification, lay off of staff and termination of contracts. In addition to these costs, the credit union would incur the annual costs of securing alternative funding for outstanding loans generated from these areas, and lost fee income that would be over \$2.18 million during the first year. As prudent stewards of our members' money, we would be required to evaluate whether our continued presence was in the best interest of the entire membership. The result could force us to leave the community. In that situation, there would be additional costs and potential losses associated with the full divestiture of the capital investments. Although these costs are substantial, the greatest impact would be the damage done to the reputation of this credit union, as well as the negative impact to the community through loss of financial and staff support. That is truly immeasurable. This information illustrates the importance of being allowed to maintain our current field of membership. NCUA's decisions on this matter could have deep financial ramifications to our credit union, its members and the communities we serve.

I strongly encourage NCUA to look for options in addressing this issue that provide for the health and welfare of all credit unions, current and future members, and the communities we serve. I'm confident that through your leadership efforts NCUA will ensure underserved areas will continue to have access to credit unions of all types.

Thank you for your time and consideration.

Sincerely,



Richard S. Hein  
President/CEO

cc: Credit Union National Association  
Credit Union Association of Oregon