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MARCH 06 PM 7:10 BOARD

March 3, 2006

Ms. Mary Rupp  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314

Re: Comments on Organization and Operations of Federal Credit Unions, IRPS 06-01

The recent moratorium imposed by NCUA on the addition of underserved areas to single common-bond and community chartered credit unions' field of memberships and the potential for those federal credit unions to lose the ability to serve existing underserved areas, places credit unions like ours in serious jeopardy.

Consolidated Federal Credit Union was chartered in 1954 as a single common-bond credit union serving Consolidated Freightways Corp. A merger with Jantzen Federal Credit Union in 1996, as well as the divestiture of Freightliner Corp. from Consolidated Freightways, resulted in our current status as a multiple common-bond federal credit union.

The recent bankruptcy of Consolidated Freightways and the liquidation of Jantzen Inc. significantly diminished our membership base, requiring our credit union to explore all options available to preserve growth, diversification and long term viability. After careful and deliberate review, our Board of Directors made a strategic decision to seek approval for a community charter as a means of replacing members and potential members resulting from the loss of our two major corporate sponsors.

By way of background, in 1974, the former Jantzen Federal Credit Union (later merged into Consolidated Federal Credit Union) opened a full service branch in Seneca, South Carolina, to serve that company's employees working at their East-Coast manufacturing and distribution facility. In 1996, when this facility was closed by Jantzen, the credit union applied for and was granted a low-income community charter in the three small towns situated in Oconee County, South Carolina.

Upon approval to serve the low-income community, the credit union proceeded to purchase land, construct a building and implement a community outreach program designed to serve the county's underserved residents. Today, Consolidated Federal Credit Union is the sole federal credit union operating in this county. In addition to providing affordable financial products and services to those who need it most, our community

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outreach program also includes, among others, such activities as the support of youth athletics, fund raising for local charities, food drives, Christmas toy drives, scholarships for local students, memory walks to aid the Alzheimer's Association, identity theft seminars, and much more. We have enclosed correspondence referencing these activities for your review.

As a result of these efforts, Consolidated Federal Credit Union has been voted by the residents of Oconee County "Best All Around Business in the County" for three straight years.

We are recognized throughout the community as "The" major financial provider of services to the underserved. Consolidated Federal Credit Union has granted millions of dollars in loans to individuals and families, many of whom would otherwise be forced to deal with finance companies and other fringe financial providers. We currently have in excess of \$11 million in outstanding consumer loans to members of this low-income community.

Although the credit union is currently performing at a level above its peers, our membership size has eroded by over 20% in recent years. Much of why we are outperforming our peers is because we have been able to generate considerable non-interest income from real estate and member business loans. With interest rates on the rise we are now seeing this source of income decline. Without a community charter and the obvious growth and diversification opportunities that are presented with such a charter, we feel our ability to sustain ourselves long term is in doubt.

Because of the recent moratorium and subsequent interpretations by NCUA staff regarding the retention of existing underserved areas upon conversion to a community charter, we are now faced with a very serious dilemma. If we move forward with our request for a local community charter with the current moratorium in place, we could be forced to discontinue serving our Oconee, South Carolina members. Should this occur, almost 3000 residents, most of them low income, will lose their credit union with no other federal credit union to serve them. In addition, Consolidated Federal Credit Union would be forced to close the branch, forcing us to terminate the staff and sell our land and buildings. If, however, we elect to withdraw our community charter request to preserve our low income underserved community charter, we place the entire credit union at long term risk because without the ability to effectively grow and diversify our membership, we do not have a sufficient base of members to allow us to sustain our current size, let alone grow.

When our credit union was granted authority to provide service to this underserved area, we adhered to all the rules and regulations in place at the time. We then proceeded to invest in facilities and a ten-year community outreach program. It is our strong belief

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that we should be allowed to retain this underserved area upon conversion to a community charter under a grandfather clause since the underserved area was clearly adopted while the credit union was a multiple common bond credit union. There is no question Congress is concerned about the underserved having access to reasonably priced financial services. It seems counter-productive to punish a credit union such as ours by


taking away our ability to serve the underserved in order to expand to a community charter when this is the only viable solution to guarantee our long term survival.

We sincerely hope you will take into consideration our current predicament, along with that of countless other federal credit unions, and permit the retention of existing underserved areas previously approved by NCUA to single common-bond and community chartered credit unions, as well as multiple common bond credit unions who subsequent to the adoption of an underserved area later exercise their legitimate business option to convert to a community charter.

The practice of grandfathering does not set a precedent. As an example, credit unions that historically were involved with member business loans and whose portfolios were heavily populated with member business loans were grandfathered with authority to exceed the 12.25% cap that most other credit union were forced to adhere to.

It is our sincere belief that our request is in the best interests of all federal credit unions, the members we serve, and the National Credit Union Administration. Providing financial services in underserved areas is an important component not only as a long term growth strategy for many federal credit unions, but more importantly, it is beneficial to the members who are able to obtain services not previously available to them. Furthermore, service to the underserved is clearly consistent with the goal of Congress and the Agency in extending financial services to the underserved.

We would welcome the opportunity to meet with the NCUA Board or its representatives to further discuss this matter and the implications the current moratorium has on the future of credit unions such as ours.

Sincerely,  
  
Ed Baldwin  
CEO

cc: Chairman JoAnn Johnson  
Vice Chairman Rodney Hood  
Board Member Gigi Hyland