

March 23, 2006

Ms. Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Notice of proposed rulemaking – 12CFR Part 701

Dear Ms. Rupp and Members of the NCUA Board of Directors:

On behalf of the 75,000 members of **US Federal Credit Union**, including our Board of Directors, management team and staff, we oppose the recent ban on community chartered credit unions serving investment areas.

As this correspondence will illustrate, our significant investment in these communities is making a positive difference. It is therefore imperative that we are able to continue serving members and potential members who reside within our investment areas.

We believe this ban would greatly reduce our ability to serve the underserved, and would negatively impact our entire credit union membership. Such outcome would be in contrast to our mission: *"Everything we do is for the benefit of people – our member-owners, employees and community."*

Our Field of Membership

US Federal Credit Union currently serves the seven-county Greater Twin Cities CommunitySM (GTCC) and two investment areas in Northfield, MN and Atlanta, GA. Five full-service locations in the GTCC and one in each of our investment areas deliver products and services to our 75,000 members.

The first and oldest credit union in Minnesota, US Federal converted to a community charter in 2004. One year prior the credit union received approval to serve the aforementioned investment areas. Both locations were previously obtained through mergers with smaller credit unions. These small credit unions sought merger partners when their key sponsors ceased operation. US Federal thus operated our Atlanta and Northfield facilities without the benefit of these relationships prior to seeking investment areas in 2003.

In the short time since being granted these investment areas, we have made many enhancements to our operations. Through branch relocation/renovation, product/service additions, and community involvement/investment, US Federal has upheld our responsibility to actively serve *all* communities within our field of membership.

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On the pages that follow, we highlight detailed examples of how we have demonstrated our commitment to these communities and the resulting impact our credit union would suffer if forced to withdraw service to these regions.

Northfield, MN

US Federal Credit Union operates one branch office in Northfield, MN. This branch has been in operation since March of 2000, and was approved by NCUA in July of 2003 as an underserved community.

Impact on the Underserved Area
Membership/Products and Services

Since approval of this underserved community, we have achieved a net growth of **482 new members** from the Northfield area. Comparing the profiles of these new members to the neighboring GTCC membership base, we identified many trends consistent with the underserved community status. On average, new Northfield members were less profitable than a GTCC member by more than \$100. New Northfield members have **lower average deposit balances and higher average loan balances** when compared to a GTCC member, and had a **higher percentage of young members** (age 45 or less). These trends depict common underserved member traits. First, lower deposit balances indicate potentially lower incomes and a lower propensity to save. Next, underserved members are likely to borrow more, as they generally don't have a high disposable income. Finally, younger members are traditionally considered greater credit risks and are often the recipients of higher-than-market loan rates offered by banks and other for-profit institutions.

	New Member	GTCC Member
Avg. Individual Profit	(\$39)	\$69
Avg. Deposit Balance	\$5,823	\$8,656
Avg. Loan Balance	\$17,233	\$15,362
Age (45 or less)	53%	42%

Looking closely at product usage among the new Northfield members, it is evident they are **developing financial relationships** and benefiting from more than just credit union savings accounts. These new members averaged **2.778 products per individual**, with **high usage of checking accounts, consumer loans, ATM/Debit cards and internet banking**. Many of these products are free or low-cost to our membership and provide account access to people of all means.

Community Involvement

US Federal has been extremely active in the Northfield community, donating thousands of dollars and sponsoring numerous events. A sampling of our community involvement beneficiaries in Northfield include:

- Northfield American Legion
- Community Education
- Habitat for Humanity
- League of Women Voters
- Northfield Fire Department
- Residential Environmental Learning
- Northfield Public Schools
- National Night Out

Our investment is typically more than monetary. US Federal was a title sponsor of Northfield's largest community event, which draws over 100,000 visitors to the area. Credit union employees volunteered and served on the event's planning and development committees, and later donated additional time and talent, even adding promotional resources intended to drive additional traffic to the weekend festival.

There are other charitable programs we have proudly introduced to the Northfield area. **Volunteer Income Tax Assistance (VITA)** is a free service provided out of our branch during tax season. This program – instituted by AccountAbility Minnesota – provides free tax preparation to those of modest means. Tax returns are prepared by US Federal staff at no charge. In our first year offering VITA, we processed **14 returns for \$25,000**. Year two has proved even more successful. To date, we have filed **25 returns for nearly \$50,000 in refunds**. It is estimated our 2006 effort will total as much as \$100,000 in returns for low-income individuals.

Financial education is another important program administered in the Northfield area. Through our *Learn at Work* program, companies around the community can provide their employees with **no-cost, on-site financial education**, ranging in topics from basic money management to identity theft to asset allocation. Employees benefit because they become better money managers and adopt good financial skills; employers benefit because their employees become more productive and have less financial burdens to deal with during the workday. In recent years we have conducted dozens of *Learn at Work* seminars in the Northfield community, for audiences totaling **several hundred individuals**.

US Federal has also provided financial education to the community as a whole. Seminars have been conducted **at our branch location** on the subjects of Credit Report Review and Home Buying. Again, these sessions come at no cost or obligation to the participants and are open to the general public. The focus of these seminars are on educating consumers and arming them with the know-how to become financially successful.

Other programs offered to the Northfield community include:

- **HLPR** – A discount first-time homeowner mortgage
- **BALANCE** – A financial counseling service offered at no charge to US Federal members
- **Get Checking** – A second-chance checking program providing education and an opportunity to re-establish checking relationships

Impact on the Community and Membership

Currently, **US Federal is the only credit union serving the Northfield community.** By approving this ban, Northfield would be left with for-profit banks as their only local financial option. The hundreds of members we serve daily and the numerous organizations we support within the community would be undoubtedly be gravely impacted by our departure.

Without the Northfield branch in operation, US Federal (and subsequently our membership) would be negatively impacted in a variety of ways.

Human Capital

Currently, the Northfield branch employs 4 people. If forced to close, US Federal would incur a cost of **\$11,676** for severance packages and the economic community would lose annual salaries and benefits of 4 people equaling **\$182,826.**

Facilities

Since the approval of our underserved community, we have relocated our Northfield branch office to a larger, more visible location. **Capital investments required to open this branch totaled \$197,479.**

Each month, we invest approximately **\$2,600** into our current branch in the form of: lease payments, maintenance and utilities. If we were forced to close our branch within the next year, we would incur the following costs:

Lease buy-out	\$15,900
Moving of equipment	\$4,000
Building fix from ATM	\$5,000
Capital Depreciation	\$142,524
Disposal of ATM	\$4,000
Total:	\$171,424

Financial

At present, the Northfield branch is operating at an annual net revenue of about \$32,000, fully allocated. If this branch were closed, no new loans would be booked, savings accounts would experience run-off and net revenue as a whole would become diluted. Overall, this impact would hurt the entire credit union and subsequently our membership.

In total, if the Northfield branch were to be closed due to this impending ban, **US Federal would realize a loss of approximately \$383,179.**

Human Capital (Severance)	\$11,676
Capital Investments	\$197,479
Lease, maintenance, utilities	\$2,600
Lease buy-out	\$15,900
Moving of equipment	\$4,000
Building fix from ATM	\$5,000
Capital Depreciation	\$142,524
Disposal of ATM	\$4,000
Total:	\$383,179

Atlanta, GA

US Federal Credit Union operates one branch location in College Park, GA, a suburb of Atlanta. We have been operating this branch since 1986. In September of 2003, we were approved by NCUA to serve the surrounding College Park area as part of an underserved community.

Impact on the Underserved Area *Membership/Products and Services*

Since approval of this investment area, we have achieved a **net growth of 1,830 new members** from the Atlanta community. We compared profiles of our Atlanta membership prior to the underserved area expansion and after the expansion and found trends consistent with underserved markets. On average, new Atlanta members are \$125 less profitable than previous Atlanta members. New members have dramatically lower deposit balances, averaging **\$4,000 less** than previous members.

However, loan balances for new members are about **\$8,000 higher** than previous members. Also, new members tend to be **younger** and have **lower incomes** than existing members.

	New Member	Long-Term Member
Avg. HH Profit	(\$21)	\$104
Avg. Deposit Balance	\$1,606	\$5,883
Avg. Loan Balance	\$19,220	\$11,054
Avg. Income	\$40-\$49,999	\$50-\$74,999
Age (45 or less)	70%	49%

These trends signify a couple of things. First, new members in our Atlanta investment area are clearly **small savers**, likely due to lower earnings and less disposable income. Next, younger consumers are traditionally considered greater credit risks and are often the recipients of higher-than-market loan rates offered by banks and other for-profit institutions.

Looking more specifically at product usage, new Atlanta members tend to have higher usage rates through **checking accounts, ATM/Debit cards and internet banking**. This indicates these new members are determined to **develop financial relationships** with US Federal, beyond a simple savings account. By providing an expanded product menu to people of all means, and it is clear this underserved group is benefiting from more than just standard services and are thus assimilating into today's culture of high-tech, conveniences products.

Taking a closer look at this new group of members, we found that **12% were grouped with a household income of \$20,000 or less**. However, these members still maintain **2.775 products per member** and rate high in checking, ATM/Debit card and internet branch usage. This further shows that although these members may be considered underserved, they are finding value in our product/service offering and are benefiting from what we have to offer.

Community Involvement

US Federal Credit Union brings value to the College Park community through a variety of sponsorships and donations. Since the approval of this investment area, US Federal has donated thousands of dollars to many different groups including:

- Clayton Public Schools
- March of Dimes
- Autumn Happening & Arts Festival
- Atlanta Women's Shelter
- Adopt-a-Family

Since the investment area, the employees of our Atlanta office have raised thousands to combat **Multiple Sclerosis** in the College Park community. Fundraising activities are varied and run over three months. Activities include multiple popcorn sales, bake sales, raffles and barbeque lunches.

Atlanta is heavily involved in the **Children's Miracle Network**, raising thousands for children's hospital efforts in their community. Multiple fundraisers support this worthwhile cause, and all proceeds a distributed locally.

In development in Atlanta is a program entitled *Get Checking*. This educational second-chance checking program is designed to help consumers without a primary banking relationship gain access to basic financial services – primarily checking accounts. Through educational seminars, program participants are able to prove they are ready to manage their own accounts, and are granted a certificate of completion to provide to participating financial institutions. Currently, US Federal is among a handful of participating financial institutions in Minnesota. Based on that roll-out, we will seek a similar partnership in the Atlanta investment area.

Other programs offered to the Atlanta community include:

- **HLPR** – A discount first-time homeowner mortgage
- **BALANCE** – A financial counseling service offered at no charge to US Federal members

US Federal truly adds value to the underserved community through our presence and community support, as well as the products and services we offer our members. Denying US Federal's continued service to this community would be doing a great disservice to the people of College Park.

Impact on the Community and Membership

The Atlanta branch is currently our 4th largest branch. By forcing us to discontinue operations there, US Federal and our membership would incur many of the following hardships:

Human Capital

Currently, the Atlanta branch **employs 12 people**. If we were forced to close, US Federal would incur a cost of **\$27,971** for severance packages and the economic community would lose annual salaries and benefits of 12 people equaling **\$486,175**.

Facilities

Since the approval of our underserved community, we have renovated our Atlanta branch, adding an ATM and more member service space. The capital investments required to complete this project totaled **\$88,516**, and we have allocated an additional **\$8,000** for further enhancements within 2006.

Each month, we invest approximately **\$11,150** into our current branch in the form of lease payments, maintenance and utilities. If we were forced to close our branch within the next year, we would incur the following costs:

Lease buy-out	\$91,291
Moving of equipment	\$15,000
Building fix from ATM	\$5,000
Capital Depreciation	\$111,086
Disposal of ATM	\$4,000
Total:	\$226,377

Financial

At present, the Atlanta branch is operating at an annual net revenue of about \$773,000, fully allocated. If this branch were closed, no new loans would be booked, savings accounts would experience run-off and profit as a whole, would become diluted. Overall, this impact would significantly hurt the entire credit union. In total, if the Atlanta branch were to be closed due to the impending ban, **US Federal would realize a loss of approximately \$356,314.**

Human Capital (Severance)	\$27,971
Capital Investments	\$90,816
Lease, maintenance, utilities	\$11,150
Lease buy-out	\$91,291
Moving of equipment	\$15,000
Building fix from ATM	\$5,000
Capital Depreciation	\$111,086
Disposal of ATM	\$4,000
Total:	\$356,314

Conclusion

We strongly support the concept that a credit union **should not** be prohibited by legislation or regulation from adding underserved communities to its Field of Membership merely because of the type of federal charter it has. **For credit unions to fulfill a key part of their mission they must be permitted to be accessible to those consumers who need and benefit from their services most.**

As demonstrated in this document, US Federal Credit Union, our members, and our communities will unquestionably suffer adverse effects of a permanent ban on our present investment areas. Limiting our ability to deliver on our mission of member service will do more than just negatively impact our financial condition. It will prevent US Federal from establishing financial relationships with underserved individuals. It will prevent US Federal from participating in community outreach and improvement programs. And most of all it will prevent US Federal from furthering the credit union philosophy of People Helping People.

Sincerely,



Bill Raker
President/CEO

encl: US Federal Credit Union's completed *Survey of Credit Unions with Underserved Areas*

cc: Dan Mica, President/CEO Credit Union National Association
Kevin Chandler, President/CEO Minnesota Credit Union Network

Survey of Credit Unions With Underserved Areas

1. Number and Timing of Underserved Area Additions

Year Added	Total Number of Underserved Areas Added
2002 and earlier	1*
2003	2
2004	0
2005	0

* The credit union added a Minneapolis underserved area whose geography was later included in its community charter.

2. Characteristics and Location of Underserved Area Service Centers

- Total number of branches
- Total number of shared service centers
- Total number of ATMs
- Estimated total number of potential members in underserved areas
- Estimated total number of actual members in underserved areas

Within Area(s)	Near Area(s)
2	
4	
2	
106,500	
10,000	

3. Estimated Financial Activity Levels in Underserved Areas

- Total dollar amount of outstanding loans to members in underserved areas as of 12/31/05 (an estimate is fine)
- Total dollar amount of savings deposits by members in underserved areas as of 12/31/05 (an estimate is fine)
- Total dollar amount of costs incurred in establishing service to your underserved area(s) (an estimate is fine)

Dollar Amount
\$38 million
\$50 million
\$1,128,000

4. Special Programs

Please indicate if your credit union provides the following special programs designed specifically for members in your underserved areas.

Check if offer

Loan programs specifically designed for underserved area members (briefly describe):

Home Loan Payment Relief mortgage - special low-rate programs for first-time homebuyers of low- and moderate-income status

Savings programs specifically designed for underserved area members (briefly describe):

Get Checking - A second-chance checking program providing education and an opportunity to re-establish checking relationships

Member education/outreach programs specifically designed for underserved area members (briefly describe):

Learn at Work - companies around the community can provide their employees with no-cost, on-site financial education; BALANCE - financial counseling service offered at no charge member

Other programs specifically designed for underserved area members (briefly describe):

Volunteer Income Tax Assistance (VITA) - provides free tax preparation to those of modest means.

5. Implications of Discontinuing Service

Please describe the extent to which your field of membership or underserved area(s) will be harmed if your credit union is no longer able to serve this area(s).

For credit unions to fulfill a key part of their mission they must be permitted to be accessible to those consumers who need and benefit from their services most.

Limiting our ability to deliver on our mission of member service will do more than just negatively impact our financial condition. It will prevent US Federal from establishing financial relations with underserved individuals. It will prevent US FCU from participating in community outreach and improvement programs and furthering the credit union philosophy of People Helping People.