

Illinois Credit Union League

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VIA E-MAIL TRANSMISSION

regcomments@ncua.gov

March 28, 2006

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

Re: Proposed Amendments to Chartering and Field of Membership Policy

Dear Ms. Rupp:

We are pleased to respond on behalf of our member federal credit unions to the National Credit Union Administration ("NCUA") Board's request for comments on proposed amendments to NCUA's chartering and field of membership policy set out in Interpretive Ruling and Policy Statement 03-01. The Illinois Credit Union League represents over 100 federal credit unions.

The proposed amendment would prohibit the addition of low-income financially underserved geographical areas to federal credit unions with a single-group common bond or a community common bond.

The proposed amendment is the result of banker-initiated litigation regarding the lack of specific statutory authority the Federal Credit Union Act for federal credit unions other than multiple common bond credit unions to serve underserved areas.

We view the bankers action as reprehensible. They are clearly not concerned that their action will result in the reduction of financial services in economically disadvantaged areas. We urge NCUA to undertake every reasonable and appropriate legal defense in support of the authority of all federal credit unions to include underserved areas in their field of membership.

We are mindful, however, of the realities of the litigation and NCUA's concern that continued authorization of underserved areas for single group and community credit unions could result in such credit unions later being forced to discontinue service to such areas. We reluctantly conclude, therefore, that it may be appropriate to cease approving the addition new underserved areas to single group and community credit unions until remedial legislation is enacted.

Continued Service to Existing Underserved Groups

We believe, however that non-multiple group credit unions should be permitted to continue to serve existing underserved areas previously approved by NCUA, and should be allowed to continue to add new members from those areas.

The justification for continued service is based on principles of public policy and equity. Congress has repeatedly indicated the importance as a public policy of providing financial services to underserved areas. NCUA has taken a number of actions to encourage federal credit unions to serve underserved areas. Federal credit unions were entitled to reasonably rely on NCUA's regulations and encouragement in determining whether to expend considerable resources in reaching out to underserved areas.

Service Facility Location and Type

The current rule allows a service facility to be in reasonable proximity to an underserved area. The proposed amendment would require the facility to be located in the underserved area. NCUA should retain the current standard. A service facility in reasonable proximity to the underserved area may be able to provide quality service to the area. NCUA should allow the regional directors to make the determination of whether a facility located near an underserved area can provide appropriate service.

The proposed amendment would also prohibit the use of full service electronic tellers to satisfy the service facility requirements. We believe NCUA should focus on the level of service provided rather than whether the credit union establishes a physical presence. An electronic teller that can accept and disburse shares, accept loan applications and disburse loan proceeds may provide substantial financial services not otherwise available to the underserved area.

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We appreciate the opportunity to respond to NCUA's request for comment on federal credit union service to underserved areas. We will be happy to respond to any questions regarding these comments or otherwise discuss our concerns with agency staff.

Very truly yours,

ILLINOIS CREDIT UNION LEAGUE

By: Cornelius J. O'Mahoney
Senior Technical Specialist

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