



DELAWARE FEDERAL CREDIT UNION

MAIN OFFICE: 150 E. Water Street • Dover, DE 19901
Phone 302-739-4496 • Fax 302-739-2868

March 29, 2006

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

Re: Notice of Proposed Rulemaking 12 CFR Part 701

Delaware Federal Credit Union provides the following comments with regard to the National Credit Union Administration's request for response on proposed amendments to its rules regarding service to underserved areas. Delaware Federal Credit Union views the prospective new restrictions of the proposal as unwarranted, unfounded, and not in compliance with the spirit and intent of the Federal Credit Union Act.

Most disturbing is the recent NCUA misinterpretation of the Credit Union Membership Access Act resulting in the denial of community credit unions being able to reach out to the underserved. If the NCUA continues to allow the "banking" establishment to bully credit unions into not serving people of modest means, then they will have succeeded in undermining the very philosophy that credit unions were founded upon. NCUA's endorsement and support of such a weak interpretation of the existing law, undermines the integrity and purpose of the 1934 Federal Credit Union Act. Delaware Federal Credit Union currently serves three underserved populations within Delaware, and if the restriction is not removed, the long-term effects would render us and our fellow credit unions helpless in carrying out our mission of "people helping people."

The proposed amendment also requires the establishment of a facility in the underserved area within a two year timeframe. This time constraint seems a bit rigid especially when taking into consideration the sometimes limited availability, along with the high cost, of real estate in certain geographical regions. If it can be proven that low-cost, public transportation is afforded to members of the underserved communities, allowing them to reach remote credit union locations easily and safely, then consideration should be given to longer timeframes for establishing a facility in the underserved area. Consideration should also be given to expanding the "acceptable" distance between the underserved area and the nearest service facility.

Additionally, I would like to add that the credit unions' field of membership chartering manual does not mirror the Federal Credit Union Act as it relates to the definition of "local community". The manual defines what a local community is "not", instead of what it "is". Delaware Federal Credit Union respectfully requests that during this process the manual be updated to allow a credit union to serve ANY geographical area consistent with the Federal Credit Union Act. Using the location of a facility defined by a mile radius for heavily populated (urban, 50 miles), and lightly populated (rural, 200 miles) areas seems to make the most sense for long term viability. The common interest and interaction

provisions in charter expansion requests should be removed, as they are no longer valid. Common bond in 1934 was established to determine the character of the borrower and limit the credit unions risk. At that time there were no credit reports, only character references from a coworker, a supervisor, or a clergyman who would vouch for the borrower. These references were needed to avoid risk and protect the membership, but now, thanks to credit reporting technology, that old safety and soundness requirement of having a common bond is no longer necessary. Credit reports have functioned as character references for some time now and will continue to do so, which is why the manual needs to reflect this mainstream practice.

In closing, I would like to respectfully request that the NCUA lift its restraint on credit unions' abilities to serve the underserved and make the necessary and overdue revisions to the Federal Credit Union Chartering Manual, to ensure its continued compliance with the intent of the Federal Credit Union Act. To the best of my knowledge, there is no ruling stating that credit unions are to remain small and there is no provision stating that credit union members are not allowed to define who they wish to serve. The only misguided ruling I am aware of is one of continued misinterpretation, provided by the wealthy, that has stopped the betterment of all who have been denied access.

Sincerely,

Duke Strosser
CEO