



March 28, 2006

Ms. Mary Rupp, Secretary of the Board
National Credit Union Administration

Sent Via Email: regcomments@ncua.gov

RE: Organization and Operations of Federal Credit Unions - Notice of Proposed Rulemaking

Dear Ms. Rupp,

Thank you for the opportunity to comment on proposed changes to NCUAs Chartering and Field of Membership Manual for Federal Credit Unions.

The Credit Union Association of Oregon (CUAO) is a nonprofit, professional trade association representing Oregon's community, state chartered, and federally chartered credit unions. Since 1936, CUAO has been at the forefront of credit union issues at the state, regional, and national level, and provides a voice for Oregon's 1.3 million credit union members on issues impacting credit unions.

The following comments relate to your request for comment on the specific provisions as outlined in the proposal.

As to:

- NCUAs authority to permit expansions into underserved areas for all three (single common-bond, community, and multiple common-bond) federal charter types.

As NCUA states, and CUAO supports, the purpose of the Credit Union Membership Access Act (CUMAA) was to incorporate the authority of multiple common-bond charter types to add underserved areas, not to eliminate that option for single common-bond or community chartered credit unions. CUAO supports the need to clarify and align the regulatory language to reflect that all charter types be permitted to serve the underserved.

While NCUA states their belief that the statutory language of CUMAA also reflected Congress' intent to make clear that the multiple common-bond charter type was authorized to add underserved areas and not to prohibit the other two charter types from doing so, it appears by the proposal that NCUA is not standing by this belief.

Bankers continually voice that credit unions are not doing their part in serving the underserved and continue to use this point to attack credit unions' tax-exempt status. Yet, on the other hand, they are voraciously latching on to this proposal of limiting credit unions' ability to serve the underserved, indicating the proposal doesn't go far enough. NCUA, it would seem by the verbiage in the proposal, is tying credit unions hands behind their backs to appease the bankers.

- The impact of limiting expansions into underserved areas to only multiple common-bond credit unions.

The proposal to limit the addition of underserved areas to only multiple common-bond credit unions would impact nearly half (41%) of Oregon's credit unions. Currently, there are 36 credit unions that would fall outside of the proposal to add underserved areas to their field of membership; 13 single common-bond and 23 federally-chartered community credit unions.

CUAO believes this could have a negative impact on the dual chartering system. Credit unions looking for viable avenues for growth may turn in their federal charter and convert to a state charter.

Additionally, Oregon has 16 small credit unions under \$35 million that currently have a single common-bond or are a federally chartered community credit union. This represents 44% of small credit unions that would not be allowed to consider adding underserved areas to their field of membership as a means of growing and/or surviving. Small credit unions are already challenged with respect to available remedies for growth and survival.

This proposal cuts small credit unions off from the possibility of growth and survival by means of serving an underserved area that they may in fact already have a presence in. NCUA supports small credit unions with their Office of Small Credit Union Initiatives, however, this proposal takes away a significant and viable option for small credit unions needing to look at ways to thrive.

Because of the overall impact to Oregon credit unions and to maintain state and federal parity, CUAO supports the current rule allowing all charter types to serve the underserved.

- If only multiple common-bond credit unions are permitted to add underserved areas, should they be permitted to retain these areas in the event they change charter type?

There are certainly valid circumstances that a credit union may need or want to change its charter. The ramification of losing their previously approved underserved areas not only directly impacts the credit union and its members, but also the related communities. The credit union would be forced to turn away the very members this proposal allows them to serve. There would be little motivation for a credit union to reach out and seek to add underserved areas if down the road they could potentially be faced with losing their long-term service commitments and capital investments.

Furthermore, a credit union may face reputational risks if they invest in serving underserved areas, then change charter types, and are forced to deny people (on the basis of the charter change) that they were formerly reaching out to for membership. The perception of the specific credit union and credit unions as a whole would be greatly compromised.

If the proposal would allow multiple common-bond credit unions to maintain its underserved areas regardless of charter change, then it would alleviate the community, business, and reputational risks noted above.

However, this would not be a consideration or issue of contention by maintaining that all charter types are allowed to have the opportunity to serve the underserved.

- The impact to members of underserved areas, and non-multiple common bond credit unions, of restrictions on the addition of new members in underserved areas they are currently serving.

CUAO is not in support of placing restrictions on credit unions that are already serving underserved areas. As required by the NCUA *Chartering and Field of Membership Manual*, credit unions have taken the time to develop formal business plans assessing the needs of the underserved area(s), and documenting their strategies for meeting those needs.

Credit unions applying to serve the underserved have decided to invest in those areas and have committed time, and human, physical, and monetary capital resources in establishing a presence, fostering individual and community relationships, providing attainable and affordable products and services, and financial education. If there is a restriction for adding members because this proposal would no longer allow non multiple common-bond credit unions to qualify to serve the underserved, the purpose of serving and reaching out to the underserved is lost and cannot be fulfilled. Again, the proposal has a negative and costly impact to credit unions and it is not in any way beneficial to the very persons (underserved individuals) it aims to serve.

- Underserved area service requirements.

CUAO does not support the service facility provisions outlined in the proposal. However, CUAO agrees and supports that a credit union needs to be present and accessible to the people it is serving in the underserved area. CUAO feels this is accomplished as outlined in the Federal Credit Union Act §1759 (c)(2)(B), which states, "...the credit union establishes and maintains an office or facility in the local community, neighborhood, or rural district at which credit union services are available." Furthermore, CUAO feels the existing language in the *Chartering and Field of Membership Manual* is sufficient to meet this end. It states:

If a credit union has a preexisting office within close proximity to the underserved area, then it will not be required to maintain an office or facility within the underserved area. Close proximity will be determined on a case-by-case basis, but the office must be readily accessible to the residents and the distance from the underserved area will not be an impediment to a majority of the residents to transact credit union business.

Mandating that a credit union establish a service facility in the community within two years may subject the credit union to acquire substandard branch facilities to meet this timeline. The current language requires that an office be readily accessible and sufficient to transact business with the majority of people in the community. It further states that this can be accomplished from a current branch if it meets those stipulations. Should the credit union have an existing branch that meets these specifications then they would not need to expend additional resources on facilities, but rather could invest those resources in serving the underserved areas.

Securing and erecting a service facility takes time and immense resources. There are various economic and environmental variables to contend with. NCUA would have the opportunity under the current rules to evaluate the credit union's service facilities to assure they would meet the needs of the underserved community. If the facilities did not meet the defined requirements, the credit union could address the issue in coordination with NCUA in the presentment of the required business plan.

Thank you again for affording us the opportunity to comment on this important rule. If you need further information, please contact me at the CUAO office, 503-641-8420 ext. 214.

Respectfully,
Jennifer F. Grant
Compliance Officer
Credit Union Association of Oregon