

March 28, 2006

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

Re: Proposed Rule, Part 701.1

Dear Ms. Rupp,

The Georgia Credit Union League (GCUL) appreciates the opportunity to comment on the National Credit Union Administration's proposed Interpretative Ruling and Policy Statement (IRPS) that would amend the Chartering and Field of Membership Manual for Federal Credit Unions (Chartering Manual). GCUL is the state trade association and one member of the network of state leagues that make up the Credit Union National Association (CUNA). GCUL serves approximately 190 credit unions that have over 1.7 million members. This letter reflects the views of our Regulatory Response Committee, which has been appointed by the GCUL Board to provide input into proposed regulations such as this.

Background:

The NCUA Board has issued a proposed IRPS that would amend its Chartering Manual. This proposal follows the moratorium NCUA issued December 29, 2005 that suspends the addition of underserved areas for single common-bond and community federal credit unions; the moratorium will remain in effect while NCUA considers the comments filed in response to the proposal and whether the proposal should be adopted.

The proposal would basically make policy changes in two areas.

- Underserved expansions outside the credit union's field of membership would be limited to multiple common-bond credit unions only;
- Underserved area service facility requirements would be revised in the following ways. The definition of a "service facility" would be modified and once an underserved area has been added, the credit union would be required to establish and maintain an office or service facility in the underserved area within two years. Currently, a preexisting facility may be within reasonable proximity of the

underserved area. As under the current policy, an ATM or the credit union's Internet web site would not be considered a service facility.

NCUA is seeking comments on the proposed changes and is requesting input on all aspects of its policy on service to the underserved. In addition, it is seeking comments on the five specific questions below.

Summary of GCUL's Position:

We believe the changes to the Chartering and Field of Membership Manual, as proposed, will serve to prevent those people of modest means who are in the most need of affordable quality financial services from obtaining them. In most cases, credit unions offer a favorable alternative to many fringe banking organizations that depend on the high fees and interest rates paid by those people who do not qualify for more consumer-friendly terms. In addition, we believe some of the proposed changes have the potential to create significant safety and soundness concerns for credit unions.

Our views are expressed in the responses to the specific questions posed by NCUA.

**QUESTIONS REGARDING THE PROPOSED IRPS**

*Question 1: Does NCUA have authority to permit expansions into underserved areas for all three federal charter types (single common-bond, multiple common-bond, and community charter)?*

GCUL Response: We believe that all three types of federal credit union charters have the ability and desire to serve residents of underserved areas. Additionally, prior to enactment of current law, NCUA had a policy of allowing all types of federal credit union charters to serve low-income areas. With the passage of current law and implementing regulations, the Board made it very clear that this policy should continue. We support that position.

*Question 2: Do you feel that NCUA should permit only multiple group credit unions to add underserved areas to their field of membership? What would be the impact of that limitation?*

GCUL Response: We believe all credit union charter types should have the ability to add underserved areas. Restricting underserved area expansion opportunities to only multiple common-bond credit unions deprives many people of the opportunity to join a credit union and receive the economic benefit such membership provides. In many instances, the only credit unions in or around underserved areas have either a single common-bond charter or community charter. Single common-bond credit unions face certain risks not faced by other financial institutions. Having the opportunity to serve residents of an underserved area would not only benefit those people of modest means by providing

much needed (and affordable) products and services, but it also helps to alleviate certain risks faced by single common-bond credit unions.

*Question 3: 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?*

GCUL Response: We believe that once an underserved area has been added to a credit union's field of membership, it should remain. Subsequent strategic decisions that are made which affect the charter type of the credit union do not eliminate the need for serving those people in underserved areas. In fact, if the ability to retain these areas is denied, potential safety and soundness issues may develop. For example, in most cases, the addition of the underserved area to a credit union's field of membership results in the commitment of substantial resources by the credit union. Branches are built, employees are hired and resources are committed to the area. If these underserved areas are not allowed to remain, the credit union faces the potential of having to remove these assets from the area, resulting in residents being abandoned and in need of basic financial services.

*Question 4: To what extent do non-multiple common-bond credit unions have existing investments in underserved areas? What types of investments are they? (For example, capital investment, loans, share deposits, and other programs targeting low income people.)*

GCUL Response: As noted in our response to Question 3, credit unions commit substantial resources to the underserved areas in which they are serving. New branches are often built, new employees hired and community involvement results.

*Question 5: What would be the impact to members of underserved areas, and non-multiple common-bond credit unions, of placing restrictions on the addition of new members in underserved areas they are currently serving?*

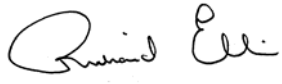
GCUL Response: If these types of restrictions were implemented, existing resources allocated to the area could be removed. If the branches that are located in the underserved areas cannot support the costs of operating there, it is likely that these credit union branches would close, leaving those residents in the area without a local facility to utilize. Many times, the underserved areas are located in low-income communities where a local branch is a necessity. 'Walk-in' traffic is the predominant mode of utilization. Without a local facility, these people are again left to the fringe banking organizations that depend on high fees and interest rates paid by those who can least afford it.

*Question 6: Do you agree with the new provision requiring that a physical presence (service facility) be established in an added underserved area to ensure an active credit union role and better serve local residents? If not, what other method should NCUA employ to ensure that the service needs of the local residents in the underserved area are adequately met?*

GCUL Response: We do not agree with this new provision. The decision to establish a service facility in the underserved area is a decision best left to the credit union's leadership. Additionally, the Credit Union Membership Access Act does not statutorily require this. Requiring a credit union to build a facility in the underserved area can, in some cases, actually increase risks. Many times, the credit union is likely to have a branch in close proximity (in some cases 1 block, other cases, less than ¼ mile) to the underserved area. If this is the case, requiring that a new service facility be established could be a bad investment of credit union resources...that belong to the members. We advocate that the current provision remain.

Thank you for the opportunity to comment on the proposed IRPS regarding the amendments to the Chartering and Field of Membership Manual for Federal Credit Unions. If you have questions about our comments, please contact Cynthia Connelly or me at (770) 476-9625.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard Ellis". The signature is written in a cursive style and is positioned to the left of a vertical red line.

Richard Ellis  
Vice President/Credit Union Development  
Georgia Credit Union League