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March 28, 2006

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

VIA EMAIL: [regcomments@ncua.gov](mailto:regcomments@ncua.gov)

Re: Comments on Organization and Operations of Federal Credit Unions,  
Interpretive Ruling and Policy Statement 06-1

Dear Ms. Rupp:

The Minnesota Credit Union Network (the Network), representing 169 member credit unions in Minnesota, including approximately 49 non-multiple common-bond federal credit unions, respectfully offers the following comments to the National Credit Union Administration's (NCUA's) proposed amendments to its rules regarding service to underserved areas. Specifically, NCUA is proposing to remove the abilities of single common-bond credit unions and community credit unions to add underserved areas to their fields of membership. This proposal stems from the uncertainty in the pending litigation between the NCUA and the American Bankers Association (ABA), in which the ABA claims that only multiple common-bond credit unions may be approved to serve underserved areas.

The Network appreciates the opportunity to comment on NCUA's proposal. The Network does not believe that Congress, in enacting the Credit Union Membership Access Act (CUMAA), intended to restrict non-multiple common-bond credit unions from adding underserved areas to their fields of membership. Pub. L. 105-219, 112 Stat. 914 (1998). Instead, Congress intended to give multiple common-bond credit unions, like other charter types, the right to add underserved areas to their fields of membership. The Network agrees with NCUA's stated belief that Congress was simply giving the authority for multiple common-bond credit unions to also serve underserved areas. As NCUA states in the preamble to its proposed rule, "the statutory language also reflects Congress' intent to make clear that this new charter type was authorized to add underserved areas, not as Bankers argue, to prohibit the other two federal charter types from doing so. This conclusion is supported by the legislative history and the fact that at the time Congress enacted CUMMA it was aware of NCUA's long-standing policy allowing federal charters to serve communities and groups in need of additional financial services." 71 F.R. 4530, January 27, 2006.

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In light of the legislative intent to allow greater service to underserved areas and the importance of fulfilling this need, the Network urges NCUA to remain firm and not modify its rule which permits non-multiple common-bond credit unions to serve underserved areas. While the Network firmly believes the bankers' arguments are erroneous and especially hypocritical, the Network understands that if NCUA does not amend its current rule, non-multiple common-bond credit unions that are granted the approval to serve underserved areas in the future may face uncertainty and risk in serving these areas depending on the outcome of current and future litigation. However, credit unions seeking such approval can and should take this uncertainty into consideration when deciding whether to attempt to serve such areas. Additionally, NCUA, when deciding whether to grant a credit union's approval to serve an underserved area, should take into consideration the credit union's plan to deal with the uncertainty and the potential effect on the credit union if the credit union's authority to serve the area is overturned by future litigation. Accordingly, for these reasons, the Network encourages NCUA to leave unchanged its current rule that allows non-multiple common-bond credit unions to serve underserved areas.

If NCUA does issue a final rule that prohibits non-multiple common-bond credit unions from adding underserved areas to their fields of membership, the Network urges NCUA to clearly indicate that the rule only applies prospectively. Any other rule would be detrimental to credit unions that have made significant investments in underserved areas and to members in those areas that currently rely on those credit unions for affordable financial products and services.

The Network also strongly urges NCUA to work aggressively with state and national credit union trade associations to pursue legislation that clearly reflects Congress' intent to allow all credit unions, regardless of charter type, to provide financial services to underserved communities. Without such a legislative clarification, non-multiple common-bond credit unions that currently provide services to members in underserved areas as approved by NCUA face the prospect of future litigation on this issue. The bankers' past actions and ongoing statements strongly underscore the risk of future litigation on this issue to non-multiple common-bond credit unions that currently serve underserved areas. However, this risk can and should be eliminated through a legislative clarification that expresses Congress' intent to allow all federal credit unions to serve underserved areas.

The Network is aware of at least six non-multiple common-bond credit unions in Minnesota that have been granted the right to serve one or more underserved areas. The presence of these credit unions in underserved communities has brought affordable financial services to community members. Based on information obtained from these credit unions, they currently serve more than 37,000 members in underserved areas and potentially could serve as many as 334,000. These credit unions have built 11 branch offices in underserved areas, installed 15 ATMs, and invested more than \$12.5 million in establishing a presence in those areas. In addition, these credit unions have granted more than \$345 million in loans to members in underserved areas and currently maintain more than \$352 million in deposits for these members. These credit unions also provide many needed and helpful services to members in these areas. Below is a listing of some products and services directed toward assisting members in underserved areas.

### Loan programs

Credit rebuilder loans  
Small dollar unsecured loans  
No verification loans  
Low rate first-time homebuyer and low income loans

### Savings Programs

No fee checking & savings  
No minimum balance checking  
No fee IRAs  
Free bill pay  
Free internet banking  
Second chance checking accounts

### Member Education and Outreach

Financial education seminars at schools and community centers  
Educational materials on managing a checking account and buying a home  
Need-based college scholarship programs  
No cost financial counseling  
Income tax assistance  
Identity theft and security education

If these credit unions in Minnesota, along with the numerous others like them around the country, are required to discontinue service in underserved areas, consumers in those areas will once again be deprived of affordable financial products and services. Therefore, the Network, on behalf of credit unions in Minnesota, urges NCUA to remain firm in its belief that Congress intended all credit unions, regardless of charter type, to serve underserved areas and not amend NCUA's current rule, which reflects Congress' intent. Additionally, the Network urges NCUA to support a legislative clarification which clearly expresses Congress' intent to allow all credit unions to serve underserved areas.

Thank you again for the opportunity to comment on this important issue.

Sincerely,

Robbie L. Thompson  
Associate General Counsel