Mid-Hudson Valley Federal Credit Union

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June 18, 2007

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

Re: NCUA Proposed Changes to 12 CFR Part 701 -Chartering and Field of Membership for Federal Credit Unions

Dear Ms. Rupp:

The Board of Directors of Mid-Hudson Valley Federal Credit Union, along with the management of the credit union, has authorized me to comment on its behalf as it relates to the proposed changes to 12 CFR Part 701 -Chartering and Field of Membership for Federal Credit Unions.

We believe strongly that the Chartering and Field of Membership rules in place since 2003 have been proven effective and do not need a dramatic overhaul as is reflected in this proposal. The 2003 rules have established a workable framework for federal credit unions considering a charter conversion or field of membership changes.

Our recommendation would be that the Board leave the 2003 rules in place and, where necessary, interpret them to accomplish the purposes of this proposed rule in those cases where it is necessary to better define a presumed local community. All other provisions of this proposal are unnecessary.

Among the unnecessary parts of this proposal that we strongly oppose is the unprecedented proposed procedure requiring notice of the proposed community charter to be published in the *Federal Register* for applications that do not meet established definitions of a well-defined local community.

The determination of whether a credit union has sufficiently documented a well defined local community is a compliance decision that is in the discretion of the NCUA Board. While public notice and comment periods are valid when proposing a new regulation (such as the case with this field of membership proposal) as is required by the federal Administrative Procedures Act, there is no precedent to provide the right of public comment on what is essentially a compliance decision. Nor should such a precedent be set.

With no statutory mandate to open the door to competitor comment on a compliance decision, there seems to be no compelling reason to establish an expensive, time consuming public notice and comment period on such decisions. The results will be slower agency decisions and increased encouragement to costly litigation.

Among the areas that do not need to be changed from the present rules is the exemption for previously approved communities from having to go through the costly process of re-documenting a community that has already been documented to the satisfaction of the NCUA Board as in compliance with the rules and regulations. We vigorously are opposed to cutting back the exemption and applying it only to communities documented as in compliance within the past five year period.

We cannot imagine a situation in which a community becomes less of a community over a five year period. If so, we would feel that the U. S. Census Bureau or other appropriate governmental entity would incorporate that into the very CBSA data that the agency proposes to use as a presumed community.

Since there is a census every ten years taken to evaluate such factors, there is no reason for the NCUA to substitute an arbitrary five year timetable on a community remaining a community. We encourage the NCUA Board to leave the present rules in place that save subsequent community charter credit union applicants from having the burden to duplicate community documentation that has already been presented and approved by the NCUA as in compliance with its rules and regulations. If the agency feels that it is necessary to establish a time limit on a previously approved community, five years is unreasonable and too restrictive. A more reasonable approach would be ten years given that the United States conducts a Census every ten years.

We are also strongly opposed to the proposed change that would turn underserved areas into community charters requiring the same level of community interaction documentation. Why would any agency want to see fewer underserved areas being served?

The 2003 rules clearly recognize that a geographic area that meets certain criteria is underserved. Therefore, it is the need of the geographic area as determined by objective criteria that makes it in need of additional lower cost financial services. If a credit union is in a financial position to extend such service and is willing to make the commitment to do so through a strong and viable business plan, NCUA should be making that easier rather than harder.

This proposal would virtually kill the expansion of credit unions into underserved areas because of the increase in documentation when weighed against the additional risk management required when credit unions make the difficult strategic decision to invest in these areas. Since the current rules require

branching and marketing outlays that are considerable, the requirement to also document the underserved area (many of which are as small as a handful of census tracts) as a community will make it easy for some credit unions to simply say "let someone else do it."

When credit unions are willing to invest in underserved areas and help meet the needs of those who reside there, NCUA rules and regulations should encourage that investment, not discourage it.

If there is a positive in this proposal, we commend the NCUA Board for seeking public comment on voluntary mergers as they relate to community chartered credit unions. This is one area where the present rules do not work.

Community chartered credit unions are discriminated against when evaluating potential merger opportunities. Since the way the 2003 rules have been implemented do not permit a voluntary merger between a community chartered credit union and a multiple common bond credit union if the multiple common bond credit union is outside of its community, this interpretation restricts the ability of a community credit union to engage in voluntary merger discussions with its best potential merger partners from a financial and member service perspective.

We feel that community chartered credit unions should be permitted to enter into a voluntary merger with any single sponsor or multiple common bond credit union that fits the strategic goals of both credit unions as it relates to member service and financial stability. Likewise, should a community chartered credit union voluntarily desire to merge into a single sponsor credit union, multiple common bond credit union or another community chartered credit union, the decision should be based upon enhanced member service and financial stability – not field of membership.

Thank you for the opportunity to express our thoughts and concerns about the proposed changes to the NCUA Field of Membership rules.

Sincerely,

William L. Spearman

William L. Spearman, CCE
President and CEO

cc: Chairman Johnson
Vice-Chairman Hood
Board Member Hyland