United
FEDERAL CREDIT UNION

June 22, 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:

On behalf of United Federal Credit Union, I would like to offer the following official comments on NCUA's proposed changes to 12 CFR Part 701 - Chartering and Field of Membership for Federal Credit Unions.

We commend the NCUA for seeking public comment on this proposal, some parts of which could be positive but many provisions of which are unnecessary and potentially damaging to credit unions.

One of the most unnecessary parts of this proposal is one that we vigorously oppose: requiring notice of a proposed community charter to be published in the *Federal Register* if the application does not meet the agency's preferred criteria for defining the "well-defined local community" that the credit union seeks to serve.

We feel that any decision about whether a credit union has sufficiently documented its community is one that should be made by NCUA as an agency based upon whether its regulations have been complied with. We certainly support public notice and comment periods on rules and regulations, but we do not see any benefit for opening a credit union's community charter application to attack and analysis by anyone other than the regulatory agency that will be making the determination of its adequacy.

Our credit union fears that a public notice and comment period will deter many credit unions that need a community charter from pursuing that strategic option in order to avoid opening their business plans, marketing strategies and internal operations to competitors and activists with their own agendas. We encourage NCUA to withdraw this part of the proposal, rather than set a dangerous precedent. Another unnecessary provision is the section cutting back the presumed community definition to five years. It is extremely costly and burdensome for credit unions to be required to document for a second or third time a community that has already been previously approved by the agency. Communities do not change that radically over five years.

We believe the NCUA should remove this five-year limitation on a presumed community. It would be more beneficial for an applicant credit union to spend its time and resources documenting how it will serve the community than documenting again how the community earlier met the same interaction standards. Such a provision is superfluous and burdensome.

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Our opposition is also expressed to the provision that requires underserved areas to meet the community interaction standard. The NCUA should encourage more credit unions to serve underserved areas, not discourage it. If a credit union can financially, operationally and strategically serve an underserved area, they should be allowed to do so based upon the fact that the area is in need of the service – not because it meets a community interaction standard. The common bond in these underserved areas is just that, they are underserved. Any provision that will make it more difficult to bring service to underserved areas should be removed from this proposal.

The most positive parts of this proposal are the provision to establish a rural district definition and the willingness of the agency to address the need for better merger criteria for community credit unions.

A rural area does not have the same population density and central core areas as do urban areas. For this reason, it is quite difficult to document interaction when the residents are scattered over a large geographic area that is largely rural. They may not always go to the same town to shop or they may receive a daily newspaper from a large city well outside of their community. These differences in rural areas, as compared to urban areas, should be accommodated in the NCUA rules. We commend the agency for establishing such a rural community designation, although the maximum size would be more applicable at 250,000 than 100,000.

Regarding community chartered credit unions being able to have better voluntary merger opportunities, we strongly agree. Community credit unions should be allowed to voluntarily merge with any credit union when the merger results in better member service and a stronger financial position for the combined credit union. Whether the merger partner be single sponsor, multiple common bond or community, the ability of the combined credit union to safely and soundly serve all of the members should be the determining factor.

When a credit union is in emergency status, NCUA will waive field of membership restrictions in order to facilitate a merger with the best possible merger partner. That same standard should be applied when the merger arises from two credit unions that do not wish to ever find themselves in emergency status. The best way to avoid declining financial performance is often a strategic voluntary merger. As a safety and soundness regulator, NCUA should help facilitate these voluntary mergers when the two credit unions agree that a merger is in their members' best interests. We commend NCUA for seeking comment on this and encourage the agency to address this matter.

On behalf of United Federal Credit Union, we appreciate this opportunity to state our views for the official record on this proposal. If you need additional information, please do not hesitate to contact us.

Sincerely,

Gary Easterling

Gary Easterling
President /CEO

cc: Chairman Johnson
Vice Chairman Hood
Board Member Hyland