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July 12, 2007

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

Re: Field of Membership for Federal Credit Unions

Dear Ms. Rupp:

The California Bankers Association (“CBA”) appreciates this opportunity to provide comments to the National Credit Union Administration on behalf of its members. CBA is a professional non-profit organization organized in 1891 and represents most of the FDIC-insured depository financial institutions operating in the State of California. CBA is responding to the proposed rule published by the NCUA that would amend its Chartering and Field of Membership Manual that would treat Statistical Areas and Rural Districts as presumptive local well-defined communities for purposes of community-based federal credit unions.

We begin by noting that we continue to object to the NCUA’s *existing* policy of treating every city, county, or smaller jurisdiction as a presumptive community eligible for a community charter. Any credit union that wants to serve such an area is not required to demonstrate that the area is a local well-defined community within the meaning of the Credit Union Membership Access Act (“CUMAA”). With such applications, it is our understanding that the NCUA does not conduct any detailed analysis on the merits of a community charter application or conversion. By treating presumptively each such political boundary as encompassing a qualifying “community,” regardless of population size or other factors, the NCUA has adopted an approval policy that bears no relationship to the law.

The CUMAA limits the field of membership boundaries of a federal credit union to “a meaningful affinity and bond among members in the context of shared and related work experiences, interests, or activities, the commonality of routine interactions, and a well-understood sense of cohesion or identity.” It is beyond all reason to assume that all persons who reside in a particular city have similar experiences, interests, activities, or even a well-defined sense of cohesion. In the city of San Francisco, for example, the multi-millionaires residing in Pacific Heights or Sea Cliff share few, if any, interests or experiences with the vast majority of

the City's residents who are renters. Renters themselves are diversely situated. Among the profiles of the City's renters are: working-class Chinese couples with young children living in in-law units; young professional couples renting flats in Noe Valley; and a vast number of singles sharing condos, flats, and lofts who fill the staff positions at S.F. businesses.

Among the great attractions of the City are its distinct neighborhoods that have almost nothing in common except the weather (and even that is not to be presumed): Chinatown, the sprawling Spanish-speaking Mission District, Japantown, Little Italy (North Beach/Fisherman's Wharf), the Richmond, and many others. Each of these districts exhibits enormous differences in culture, wealth, and character, and may in themselves be properly described as a well-defined, local community, but certainly not the entire City. The same is likely true of most cities and counties that the NCUA currently considers to be qualifying.

Coming now to the NCUA's current proposal, CBA strongly objects to the NCUA treating statistical areas and rural districts as presumptive local well-defined communities. This is an unwarranted expansion of an already unlawful rule. The NCUA Board proposes to adopt, with some limitations, a policy that a "statistical area" is a presumptive well-defined local community. We note the obvious: the NCUA should not assume *a priori* that because another government agency established a system of geographic demarcation, then that system must therefore say something about the cohesiveness of the inhabitants. If there is anything in common between the U.S. Census Department's reasons for developing statistical areas and the legal standards established by CUMAA defining an accepted local community, it is purely coincidental. The NCUA is obligated to make a greater effort to explain why its proposal complies with the CUMAA. If it does not, then the NCUA would be acting beyond its statutory authority.

We have similar concerns about the proposed designation of a rural district as a qualifying community. A rural district is defined in the negative as an area that is not in a "core based statistical area" and that has a population density not exceeding 100 people per square mile where the total population of the rural district does not exceed 100,000. It is obvious that the geographic scope of a rural district could be huge. Since the NCUA is intent on not analyzing an application involving a rural district, it will disregard any evidence to demonstrate whether residents of a rural district actually share a meaningful affinity and bond or share a common sense of cohesion or identity sufficient to warrant this presumption. The NCUA Board itself acknowledges that "it is proposing a definition that reflects an area that may lack the traditional characteristics of interaction or shared common interests." On what legal basis, then, does the NCUA justify this proposal?

CBA asks that the NCUA withdraw its proposal as unsupported and inconsistent with the CUMAA. Credit unions are not intended to be tax-exempt banks. They are to enjoy their exempt status as long as they operate within the bounds that justify that status. The NCUA's proposal obliterates those bounds. While the proposal may serve the interests of expediency, it could also invite wholesale expansion of the community charter. CBA members are justified to ask why they are forced to compete for the same customers with tax-exempt entities whose membership is becoming indistinguishable from the general population of large geographic

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areas? The key elements of the proposal make a mockery of the already generous guidelines pertaining to a common bond. CBA and its members therefore strongly oppose adoption of the changes. If you have any questions about this letter, please do not hesitate to contact the undersigned.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Leland Chan', is written over a thin red horizontal line.

Leland Chan
SVP/General Counsel