



July 18, 2007

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

Re: Proposed Chartering and Field of Membership Changes

Dear Ms. Rupp:

The Kansas Bankers Association appreciates the opportunity to respond to the proposal amending NCUA's Chartering and Field of Membership Manual (FoM Manual). The KBA is a non-profit trade organization with 338 of the 340 Kansas banks as its members. As such, we represent banks from all over the state and with a very diverse composition. We have members who serve the larger, urban areas of our state as well as those who serve the not-so-urban communities and rural areas.

Many of our member banks have been in existence for a very long time. In fact, we have started celebrating banks that have remained in the same family ownership for over a century as there were so many. As such, they have witnessed the evolution of the credit union industry over time. While there are some credit unions that still are special purpose cooperatives united by a genuine common bond, many have expanded beyond their special purpose and common bond with a desire to become more like commercial banks.

We believe that the proposed changes in the FoM Manual will take the credit union industry even further beyond its original, intended purpose as expressed by Congress in the Credit Union Membership Access Act (CUMAA). The CUMAA found that "a meaningful affinity and bond among members, manifested by the commonality of routine interactions, in the context of shared and related work experiences, interests, or activities, and a well-understood sense of cohesion or identity" was essential to the fulfillment of the public mission of credit unions.

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The Federal Credit Union Act (the Act) defines membership of a community credit union to be “persons or organizations within a well-defined local community, neighborhood or rural district.” The proposal would establish a new definition by allowing multiple political jurisdictions (egs., cities, counties) to be included if: the proposed area is a recognized core based statistical area (CSBA) without a Metropolitan Division; a majority of the area’s jobs are within a dominant city or county; and the dominant city or county contains at least one-third of the area’s population.

While the proposal lays out the statistical rationale for such a determination and makes it clear that the NCUA Board believes a dominant trade area or economic hub is sufficient interaction to support a finding of a local community, we believe that standard fails to examine what other factors of commonality constitute a “local community”. The proposal suggests that a having a dominant economic center within or as one of a group of cities or counties makes this large geographic area a community.

Rather, we believe more importantly, a community is a group of people with a common characteristic or interest living together within a larger society. To define a community only in terms of economic ties and statistics does not provide the complete picture. If that truly is the new definition, then we would advise you to seek legislation to eliminate “community” from the membership requirement.

We must also disagree with the new definition of “rural district” for similar reasons. If routine interaction, shared work experiences, interests and activities and a sense of cohesion is truly essential to a credit union fulfilling its public mission, then a rural district is more than just population and geography as the proposal suggests. There are a hundred different ways to string together a rural area, but without any commonality within...how would a credit union fulfill its public mission?

Time will tell what the effect of continued expansion will do for the credit union industry, but is it not reasonable to ask yourself at what point does the field of membership requirement become so meaningless as to discredit its existence? And will that lead Congress to question the rationale for having granted credit unions favorable tax status over other financial institutions?

State lawmakers in several states have been closely scrutinizing the field of membership requirement at the state level. It has led to changes in the definition of that term in at least one state (Missouri), and in Kansas, a state legislative post audit study’s finding that the credit union administrator is not following the state law regarding field of membership is leading to a summer study of the issue.

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We believe that Congress, too, will tire of the circumvention of its intent as expressed in CUMAA, and will at some point begin its own inquiry into the federal field of membership requirement. Further distortion of the requirement will only hasten that end.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles A. Stones". The signature is written in a cursive, flowing style with a large initial "C" and a distinct "S" at the end.

Charles A. Stones
President