FORUM™
CREDIT UNION

June 28, 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 FORUM Credit Union, we are pleased to submit the following comments for the record as it relates to the proposed rule referenced above.

As a state chartered credit union, FORUM Credit Union is not directly impacted by this proposed change to the federal field of membership regulations. However, as a strong believer in a viable dual chartering system, we feel that any changes to the federal field of membership rules have the potential to impact the balance within the dual chartering system and could bring about corresponding changes to field of membership rules at the state level that would have a direct impact on state chartered credit unions such as FORUM.

Therefore, in the spirit of a strong dual chartering system and in recognition of the importance of viable field of membership regulations being in place for both federal and state chartered credit unions, we offer the following observations on the proposed rule.

Since the State of Indiana has a responsible and reasonable approach to field of membership that recognizes the value of community chartered credit unions to the residents of the communities they serve, we strongly believe that field of membership regulations should continue to progress and modernize as credit unions do. Communities need more consumer choice in lower cost financial institutions, not less. Whether it be state or federal chartered credit unions, banks, thrifts, or other financial institutions, consumer choice is always a positive. Consumers, without exception, benefit from additional choices.

The State of Indiana allows community chartered credit unions to also have select employer groups, both inside and outside of the community, in their field of membership. This well reasoned and effectively administered regulation has served to bring lower cost financial services to countless individuals and businesses in our state. Within itself, this regulation has proven the value of progressive field of membership rules to the intended beneficiaries of a credit union's field of membership – not the credit union as much as the **member**.

Therefore, there is much benefit to members in continuing a progressive approach to field of membership at both the state and federal levels. There is quite a bit in this proposal that we support in keeping with our belief in making field of membership rules more progressive at the state and federal levels, such as the establishment of a rural district designation which can be important in a state with many rural areas such as Indiana, the clarification of the components of a business plan which a federal credit union must submit as an integral part of its community charter application, and especially the call for comments on a more flexible approach to voluntary mergers as they involve community chartered credit unions of either a state or federal charter.

However, with great appreciation for your efforts to keep federal field of membership rules updated, there are several aspects of this proposed rule about which we have serious concerns, feel are not good for either federal or state chartered credit unions and would certainly not want to see carried over to the state regulatory environment. Among these areas of concern are the elimination of the pre-approved community presumption for federal credit unions, the requirement to document an underserved area as a community for federal credit unions, and the section designed to subject field of membership applications for a community charter to an official notice and comment period.

Some additional observations are included below to further expand upon these areas of support and those areas of concern.

NCUA should definitely receive positive support, and we certainly join in so supporting, the provision in this proposal to establish in the federal field of membership rules a definition of a "rural district." This is a progressive step, particularly for communities in states with large rural areas such as Indiana. Many rural communities lack the population that larger urban communities have. It becomes difficult, if not impossible, to provide sufficient documentation to show enough interaction over such a widespread geographic area with a smaller population base. Although the 100,000 maximum population seems unnecessarily restrictive and could possibly be raised somewhat, the proposal to establish a "rural district" definition is within itself a very positive and progressive step in field of membership modernization.

Also, another positive change is the provision specifying, for those credit unions applying for a federal community charter, the NCUA's expectations regarding

what should be included in a credit union's business plan. To know the rules before a credit union begins the community charter conversion process is extremely helpful and saves costs for the applicant credit union in the long run. The State of Indiana is very thorough in its guidance for state chartered credit unions pursuing a community charter, and we commend the NCUA for helping to provide more clarity for federal credit unions in this regard as well. Clear regulatory guidance at the federal and state levels is always positive. Certainly, there will need to be flexibility in these guidelines stemming from the individuality of each applicant credit union. As long as it is administered with this differentiation of the individuality of credit unions in mind, this provision is a positive step that we support.

One of the requests for comment in this proposal that we are most interested in is the inclusion of a section seeking comments on how to improve the voluntary merger procedures when they involve community credit unions. We commend the NCUA for seeking credit union input on this matter, which does impact both state and federal credit unions. The number of issues for a community chartered credit union seeking to consummate at merge are significant. Without question, it is simpler for multiple group credit unions to engage in voluntary mergers than for community credit unions.

We are convinced that it is crucial for community credit unions to have a level playing field in the voluntary merger arena. Community credit unions should not be disadvantaged when a prospective voluntary merger partner is considering the best possible match for their members in service, strength, and philosophy. We believe that the overlying principle for any voluntary merger should be the members. If the continuing credit union is able to serve the full membership of the merged credit union without sacrificing its safety and soundness to do so, a voluntary merger should be allowed by regulation and in practice.

The NCUA and most state supervisory authorities will authorize a merger between credit unions with different types of fields of membership if the merging credit union is in dire straights or some type of emergency status. Our position would be that any regulatory agency, state or federal, should be open to the same types of mergers if the result is a stronger credit union that can decrease the likelihood of any credit union, regardless of field of membership, falling into those dire straights or that emergency status. As long as the continuing credit union can serve the full field of membership of the merging credit union and they are in the same market area, sound regulatory practice would be to allow voluntary mergers between two credit unions, regardless of whether they are state or federal and regardless of their field of membership.

We would also seek to address several provisions in the proposed regulation that concern us considerably.

Among the most disturbing parts of this proposal is, from our perspective, its provision for establishing a requirement for public notice and comment for certain federal community charter applications. Although this is not applicable to state chartered credit unions, we are concerned about the spillover effect if the precedent is ever established that any credit union's field of membership application should be opened to its competitors. We certainly support public comment periods on proposed rules and regulations at both the state and federal levels. However, we are concerned that the application of a public notice and comment period on a field of membership expansion may open strategic plans and proprietary information of the applicant credit union to competing institutions.

From disgruntled former employees to members who may not like the share certificate rates we are offering, there is considerable potential for harm to be done to a credit union's strategic goals if the public comment period is abused by such parties to delay the credit union's plans or denigrate the credit union's reputation in a public forum.

A public notice and comment period could have a chilling effect on some credit unions that may need some type of field of membership diversification but hesitate to pursue it because of activist groups who have no standing to oppose their efforts other than a desire to do harm. To make their credit union a target to someone who might wish ill on the credit union, whether for personal or even competitive reasons, could make some credit unions elect to stay with their existing field of membership – even if their long term financial and service viability might be better served by seeking some further diversification. We do not feel that a public notice and comment period on field of membership applications is necessary, nor does it have precedent on field of membership issues.

Because of our concern that an unrestricted public notice and comment requirement could someday extend to all field of membership decisions at both the federal and state levels, we urge the agency to seriously evaluate the potential negative ramifications to credit unions who need diversification and might not seek it if they must subject themselves to such potential harm from competitors and others who might not have their best interests at heart.

We likewise have concern about the provision restricting a previously approved community definition to five years. Whether at the state or federal level, the recognition of local communities needs consistency. It is costly to apply for a community charter and, when the community charter is granted, it is even more costly to extend service to the entire community. We fear that continuous re-certification of communities which have already been approved will give the credit union that is "first to market" with their approved application an implied franchise if another credit union does not seek the same community for five

Communities evolve much more than they drastically change. Certainly, a five year evolution will not significantly alter the "community based" nature of an area to an extent sufficient to make subsequent applicant credit unions go through the additional cost and burden of re-certifying the community. We feel it would be dangerous for state or federal agencies to establish the precedent of approving areas as communities, making them eligible for certain services and then later failing to approve the same communities when someone else seeks to offer the same or expansion of the same services.

The competitive advantage that the "first to market" credit union would receive under this proposal might force some credit unions to move up their plans to seek a community charter in order to make sure they were able to get their community approved within the artificial five year window. If the credit union is ready to become a community based institution within five years, an advanced timetable to beat the five year community expiration date would not be a problem. However, if the credit union is not financially ready within five years, an advanced timetable to beat an arbitrary five year community expiration date could have long term ramifications. With an eye toward the negative impact this could have on federal and state credit unions if such a five year limitation were to be implemented system wide, we respectfully encourage NCUA to remove this five-year expiration period on communities from the final rule.

We are also concerned about the provision in the proposal which would require underserved areas to be documented as extensively as federal community charters. Although this would likewise have no effect on state chartered credit unions, we see much benefit in both federal and state chartered credit unions being able to extend their services to as many underserved Americans as possible. Anything that makes this harder, rather than easier, should be avoided.

This provision would significantly increase the amount of documentation that it would take for a federal credit union to reach out and serve an underserved area. Frankly, the result will likely be a disincentive for some federal credit unions to provide needed service to people living in some of the areas of our country that need credit unions the most. We do not wish to see any regulator, state or federal, make the extension of credit union service into underserved areas more difficult than it already is.

With higher risk to be managed in these underserved areas and costly branch requirements an investment which must be weighed carefully, those credit unions who seek to serve in these neighborhoods should be encouraged, not discouraged. If a census tract, neighborhood, city, county or even larger area is designated as underserved by the appropriate criteria and validated by the appropriate authorities, that designation within itself should be sufficient to authorize those credit unions who have the resources and the will to extend their services to the residents there.

We very much appreciate the opportunity to extend our official comments on this proposal for your consideration. On behalf of FORUM Credit Union, thank you in advance for your serious consideration of these comments. If we can be a source of additional information, please do not hesitate to contact us.

Sincerely,

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cc: Chairman Johnson, NCUA
Vice-Chairman Hood, NCUA
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