

Re: Proposed Amendments to NCUA's Community Chartering and Field of Membership Manual

August 1, 2007

On behalf of Missoula Federal Credit Union, Charter #11300

Missoula Federal Credit Union has been serving the financial needs of its members in Western Montana for over 50 years, initially as a police and firemen's credit union and currently as a community credit union. Montana is one of a handful of states that has a total population of less than 1 million people. Providing competitive financial services to Montanans is challenging, given low population densities, average incomes below national figures and the vast geography involved.

We are pleased that NCUA has recognized that the needs and requirements of rural areas are significantly different from those in urban areas. While we believe the statistical definition of a political jurisdiction as local community is sufficiently clear, we believe it should also include "Congressional District" as a political jurisdiction. If Congress believes that the populace of a Congressional District is sufficiently homogeneous, or has similar enough needs for a single individual to represent them in Congress then it would be reasonable to expect the same for a federally chartered credit union subject to oversight from a federal agency.

We believe there are significant enough differences between rural districts and metropolitan areas to warrant different analyses and documentation requirements. Simple geography in many parts of the U.S. plays a huge role in rural areas. For instance, in Montana, people think nothing of driving 200 or 300 miles for services, sporting events, entertainment, recreation or shopping, while in metropolitan areas these services are often available within walking distance. Population densities also play a role in how much research, analyses, and documentation is even available for a given area. Often the limited number of people in a rural area precludes research firms and survey companies from even doing research in these areas—there just aren't enough people to make the results statistically significant. This results in additional burden on a CU to demonstrate interdependencies, community ties and similar needs.

We would contend that a total population threshold of 100,000 in the proposed definition of a rural district is too small, given the infrastructure in technology and facilities that would be necessary to serve a widely dispersed rural population. If the intent is to make credit union services available to more rural areas, it will be important to ensure the viability of the credit unions doing so. For instance, in Montana—total population < 1 million persons—greater distances between people geographically results in the need to provide services via telephone, internet, ATM, etc. Given the escalating costs of and ever-changing nature of these technologies, a larger membership base provides the necessary economies of scale to make these possible. In addition, excluding areas that are MSAs or MicroSAs from this definition creates a problem for more rural states like Montana, Alaska, South and North Dakota and Wyoming where the only

towns of a size sufficient enough to support the aforementioned services are MSAs or MicroSAs simply by virtue of geographic location. We would suggest that instead of “and,” NCUA consider “or” as the connector, as in: (1) “an area that is not in an MSA or MicroSA” **OR** (2) has a population density not exceeding 100 people per square mile, where the total population does not exceed **250,000.**”

While the OMB definitions of MSA and MicroSA are recognized, well-researched statistical measures, the OMB itself cautions against their use as a blanket formula. In the Federal Register, Vol. 65, No. 249 dated Wednesday December 27, 2000, Section A “Background”, point 1 “Concept and Uses” contends that the use of MSAs and MicroSAs is purely for statistical purposes and not for implementing nonstatistical programs and determining program eligibility (we would contend this includes eligibility for credit union membership):

“The Metropolitan and Micropolitan Statistical Area Standards do not equate to an urban-rural classification; all counties included in Metropolitan and Micropolitan Statistical Areas and many other counties contain both urban and rural territory and populations. Programs that base funding levels or eligibility on whether a county is included in a Metropolitan or Micropolitan Statistical Area may not accurately address issues or problems faced by local populations, organizations, institutions, or governmental units. For instance, programs that seek to strengthen rural economies by focusing solely on counties located outside Metropolitan Statistical Areas could ignore a predominantly rural county that is included in a Metropolitan Statistical Area because a high percentage of the county’s residents commute to urban centers for work. Although the inclusion of such a county in the Metropolitan Statistical Area indicates the existence of economic ties, as measured by commuting, with the central counties of that Metropolitan Statistical Area, it may also indicate a need to provide programs that would strengthen the county’s rural economy so that workers are not compelled to leave the county in search of jobs.”

“Program designs that treat all parts of a CBSA as if they were as urban as the densely settled core ignore the rural conditions that may exist in some parts of the area. Under such programs, schools, hospitals, businesses, and communities that are separated from the urban core by large distances or difficult terrain may experience the same kinds of challenges as their counterparts in rural portions of counties that are outside CBSAs.”

For full text, go to

<http://www.census.gov/population/www/estimates/00-32997.pdf>

If the goal of the NCUA is to strengthen rural communities by allowing credit unions to serve them (thereby serving the underserved), then to exclude MSAs and MicroSAs from the definition of “Rural District” without substantially increasing total potential populations as well as considering population densities makes it difficult for credit unions to meet this goal.

The documentation requirements for community charter applications continue to vex us. In rural areas like Montana, third-party surveys are not common, simply because getting enough responses from such a small population to provide statistically significant results can be cost prohibitive. Local academic institutions provide some of these data; however, budgets often limit the breadth of data they can gather and process in a timely manner. We believe the changes we have suggested to the definition of “political jurisdiction” (See above) would help alleviate some of the documentation burden on credit unions in more rural states. It may also be helpful to have a ‘point’ system or check off list for this documentation—similar to the point system LEED uses to certify buildings as environmentally friendly (www.usgbc.org). A master list of acceptable documentation types could be compiled, assigned specific point values based on relevance/importance and an acceptable minimum number of points must be validated to garner the requested field of membership. This would take some subjectivity out of the process while providing credit unions a framework in which to work up their applications.

We believe the 5-year time period is appropriate, as conditions within a given geographic area can change materially in that period of time. However, this does place a significant burden on the credit union applying for the previously-approved area, in that census data may be unavailable or outdated as support material for the application for exemption.

Regarding the additional guidance about business and marketing plans in the application for community charter—we welcome it. We believe this should be part and parcel to the due diligence the credit union undertakes prior to even applying for the community charter. However, we also believe this information should not be part of any public disclosure—it should be considered confidential and only for use by NCUA in its decision-making process.

Missoula Federal Credit Union’s Management Team lauds the NCUA Board for considering material changes to the Chartering Manual and for recognizing the unique needs of rural areas.

Sincerely,



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