

August 1, 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:

I am writing on behalf of the management and Board of Directors of Corning Federal Credit Union, a multiple-group credit union headquartered in Corning, NY, and serving over 73,000 members throughout the country. Thank you very much for the opportunity to comment on the above referenced proposal. Please accept the following comments for the record as it relates to this proposed rule.

There is much in this proposal that we support, such as the establishment of a rural district designation, clarification of the components of a business plan which must accompany a community charter application, and the need for a more flexible approach to voluntary mergers when they involve community chartered credit unions.

However, there are some aspects of this proposal that we have serious concerns about, such as the provision to open certain community charter applications to a public notice and comment period, the elimination of the pre-approved community presumption after five years, and the requirement to document an underserved area as a community.

We would like to develop our thoughts on each of these provisions more fully in the paragraphs below; yet, we would again like to respectfully state our appreciation to the National Credit Union Administration for its ongoing attempt to modernize its field of membership rules and to request comments from those of us who are impacted by them.

First, we would seek to address the parts of this proposal that we support.

The National Credit Union Administration should be commended for taking the step in this proposal to establish a rural district definition. This has been allowed by statute for a number of years based upon the fact that rural communities lack the population and

central, urban areas that bigger MSA or CBSA communities have. That makes it challenging to document sufficient interaction to become a well-defined local community when the residents are widespread over a geographically large area. It will be fairer to credit unions seeking to serve largely rural areas to have different criteria applied to their applications. An increase of the rural area maximum population would provide more flexibility if it were increased from the present 100,000 maximum. We would suggest 300,000 as a more flexible maximum.

Similarly, for those credit unions applying for a community charter, there is much benefit in knowing the National Credit Union Administration's expectations regarding the sufficiency of the credit union's business plan. Although there will need to be flexibility in expectations because the resources of each credit union are different, the ability to know without guessing what the National Credit Union Administration will expect is beneficial. We encourage this provision to remain in the proposal, but to be administered with a clear recognition of the differences in resources from credit union to credit union.

Another area we support in the proposal is the request by the National Credit Union Administration for comments on improvements in the voluntary merger guidelines for community credit unions. There are many hurdles and stumbling blocks for community credit unions when it comes to voluntary mergers. Based on our own experiences as a multiple-group credit union, it is, frankly, easier for multiple-group credit unions to engage in voluntary merger discussions with each other than it is for community credit unions to do so.

We believe it is critically important that community credit unions be allowed to voluntarily merge with a credit union with any other type of field of membership if the merger will result in a stronger and more effective credit union. Ability to serve the entire membership of the merged credit union within the primary market area of the continuing credit union should be the primary consideration, not field of membership.

Based upon the established precedent that the National Credit Union Administration will allow an emergency merger between credit unions with different fields of membership, we would encourage the agency to take the same position regarding voluntary mergers many of which are designed to avoid slow descent into the need for an emergency merger. It is not good policy to await the ambulance when preventive care is available. To protect safety and soundness, there should be action taken to allow voluntary mergers when two credit unions, regardless of field of membership, have come to terms on a merger agreement that results in a stronger credit union that can better serve the members of the combined credit union in its primary market area.

Next, we would like to address several provisions in the proposed regulations about which we have serious concerns.

From our perspective, the most potentially dangerous part of this proposal is the requirement for a public notice and comment period to be posted in the *Federal Register* for some community charter applications. We feel that the determination of a credit

union's field of membership is between the credit union and its regulatory agency, not competitors, community activists, opponents, or even supporters. While their comments may be interesting, they are irrelevant to the decision making process. While public notice and comment periods have their place when it comes to promulgating rules and regulations, the extension of a public notice and comment period to a community charter application merely invites competing institutions to study a credit union's strategic goals and use the comment period to try to thwart them. We believe a public notice and comment period will only elongate the decision making process and provide ammunition for potential litigants to build their case against a credit union that is working within established regulations.

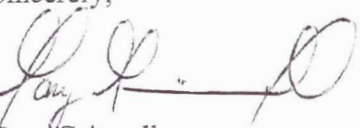
The result of a public notice and comment period may well be that many credit unions will be deterred from seeking a community charter that they truly need for diversification and long-term strategic purposes. To open themselves and their business plans to the agendas of those who might wish harm to the credit union could keep many credit unions stuck in a restricted field of membership rather than moving to a broader one. This could have long-term safety and soundness implications. Since there is no statutory requirement for a public notice and comment period on a community charter application, we encourage the National Credit Union Administration to withdraw this troublesome provision.

We also have some concerns about the section restricting a previously approved community definition to a five-year life span. With the cost and burden of applying for a community charter, only the consultants and research firms benefit when a credit union is forced to redocument a community that has already been deemed a "well-defined local community" by previous action of the National Credit Union Administration. This cost and burden is mitigated by the present presumption that communities remain communities, thus negating the need to redocument the same community over and over when another credit union seeks to serve it as a community charter. This five-year expiration period on previously approved communities should be removed from the proposal.

Moreover, we are deeply concerned over the section requiring underserved areas to be documented as extensively as community charters. This requirement would seem contrary to the emphasis by the National Credit Union Administration to serve more persons of modest means and to document that service. Underserved areas have more persons of modest means than any other geographic areas, and credit unions should be encouraged to extend their services into these areas. In addition to the rules put in place last year that restrict community chartered credit unions from adding underserved areas, this proposal would greatly increase the documentation and burden to those credit unions still eligible to add underserved areas. Naturally, the increased regulatory requirements would discourage many federal credit unions from pursuing this important avenue of extending credit union service to the residents of some of the areas that need it most.

We would also assert that, by definition, underserved areas are not communities, and requiring credit unions to prove an area is both a well-defined local community and an underserved area is not consistent with previously stated board policy or the spirit of the Access Across America initiative. We respectfully encourage the National Credit Union Administration to continue its initiatives to streamline the approval of service to underserved areas, not to reverse that trend by adding more documentation and regulation. This section should be removed so that more credit unions, not fewer, will have an incentive to serve underserved areas. As drafted, this section would be a disincentive to many credit unions that might otherwise be open to extending their service to more underserved individuals.

In closing, thank you for the opportunity to comment on this proposed regulation. On behalf of Corning Federal Credit Union, we appreciate your consideration of our thoughts on this proposal, both the sections we support as well as those with which we have concerns. If you are in need of additional information on any of these matters, please do not hesitate to let us know.

Sincerely,


Gary Grinnell
President and Chief Executive Officer

cc: Chairman JoAnn Johnson
Vice Chairman Rodney Hood
Board Member Gigi Hyland