

Jordan, Sheron

From: _Regulatory Comments
Sent: Monday, August 06, 2007 7:54 AM
To: Jordan, Sheron
Subject: FW: Indiana Credit Union League's Comments on Proposed Changes to 12 CFR Part 701 (Chartering and Field of Membership for Federal Credit Unions)

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August 3, 2007

Ms. Mary Rupp

Secretary to the Board

National Credit Union Administration

1775 Duke Street

Alexandria, VA 22314-3428

Re: NCUA's Proposed Changes to 12 CFR Part 701-Chartering and Field of Membership for Federal Credit Unions

Dear Ms. Rupp:

This letter represents the views of the Indiana Credit Union League (ICUL) regarding NCUA's Proposed Changes to 12 CFR Part 701-Chartering and Field of Membership for Federal Credit Unions. The ICUL represents 190 of Indiana's 211 credit unions with membership totaling more than two million members. We appreciate the opportunity to comment on the proposed regulation.

The Indiana Credit Union Act offers much flexibility to state-chartered credit unions to extend services to a broader group of people. We feel it is important that NCUA continue to review and improve the flexibility of field of membership options and processes for federal credit unions. Further expanding the definition of a "presumed" community, defining what qualifies as a "rural district" and adding clarification to what needs to be included in the charter request packet are very positive steps and ones that we fully support.

We agree with NCUA's proposal to continue to presume that a single political jurisdiction below the state level will be presumed to be a community. In addition, we strongly support the inclusion of metropolitan statistical areas and micropolitan statistical areas as presumed communities as well. Based on the definition of these areas by the Office of Management and Budget (OMB) these areas have a "high degree of social and economic integration..." that historically credit unions have had to spend a

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lot of time and money confirming. By adding the presumption of community to these statistical areas, credit unions can focus their efforts on demonstrating their ability to serve the community they are requesting.

We do not agree with the proposal that community charter requests that do not meet the presumed community definitions should be subject to a 30 day public comment period. This could result in making information about a credit union's business plans that were not intended to be public information subject to access and scrutiny by competing financial institutions. This may also result in credit unions that need to expand not seeking the best remedy out of concerns that their proprietary information could be subject to public disclosure. NCUA has been and should continue to be the final arbiter of whether or not a credit union has satisfactorily made its case that a requested community meets NCUA's requirements, not competing financial institutions.

We would also encourage NCUA not to become too reliant on CBSA criteria in reviewing non-presumed community charter requests. An example of this is a three-county area in northwest Indiana that does not fall within one CBSA. NCUA has continually discouraged credit unions from requesting this area for a community charter, while individuals who live and work in this three-county area see daily the social and economic interaction between these three counties that would appear to meet the necessary criteria. The Indiana Credit Union Act provides far greater flexibility to state-chartered credit unions in this area. We would hope that the additional clarification from NCUA on what credit unions need to provide to demonstrate sufficient social and economic interaction will lead to a better and more flexible approach to these reviews.

We do not agree with the proposal to set a five-year time limit on other credit unions preapproved community exemption as outlined in the proposal. Many of the primary tools used to prove community do not change dramatically over that time span. Television and radio stations that cover the total area may change call letters and owners, but the reach of their signals seldom changes. Newspapers that serve the full community continue to do so for many years. Schools that are common, community groups, churches, shopping districts, major industries and commuting patterns remain stable over a long stretch of time. This particular part of a community charter request is very time consuming and expensive to develop. If an area met the definition of a community five years ago, it most likely will today. We believe that NCUA should not implement this five-year limit. This would again enable the credit union to focus on how it plans to serve the community it is asking for in the most beneficial way.

We would also recommend that NCUA consider allowing a credit union to use the same preapproved exemption when requesting only a part of a previously approved community. The current requirement of requesting the identical community in order for the exemption to apply results in a credit union asking for a community much larger than what they want and what they know they can effectively serve. The ability to carve out a portion of a previously approved community again allows a credit union to focus the limited resources available to a community that is of a size that makes sense.

We agree with NCUA's proposal to define a "rural district," but feel that the exclusion of any areas that include a micropolitan statistical area is too restrictive. The Economic Research Service of the USDA often includes micropolitan statistical areas as rural areas. The population cap of 50,000 for a micropolitan statistical area by itself does not indicate a large urban area. We believe that the population density not exceeding 100 persons per square mile with a total population cap are sufficient to define a rural area. The exclusion of micropolitan statistical areas in the state of Indiana does not leave very many counties that would qualify as "rural districts" by this definition. If the intent is to enable credit unions to extend services to these rural areas, many of which would likely qualify as underserved areas, the definition as proposed will not accomplish this. We would also recommend that NCUA consider a higher population cap than 100,000, perhaps 250,000.

The proposed changes include requiring underserved areas to meet the community interaction standards. This proposal would likely discourage credit unions from adding underserved areas. It is our opinion that the current definition of an underserved area is sufficient and that NCUA consider all options to allow all federal charter types to once again add underserved areas. Making the process more expensive and difficult will only result in those individuals that could benefit the most from credit union access not having it.

NCUA also requested comments regarding any concerns related to the community charter merger issues. The current rules limit the ability for community credit unions to be viable merger partners for single or multiple group credit unions unless the existing SEGs of the merging credit union are all within the defined community. These limitations prevent what may be the combination of credit unions that would be the best fit for the ongoing membership. We would encourage NCUA to consider regulatory changes that would allow community credit unions to continue to serve SEGs that are outside of the defined community at the time of a merger. This is more in line with the field of membership flexibility in the Indiana Credit Union Act.

Thank you for the opportunity to comment on these proposed changes to the chartering and field of membership regulations. We appreciate your request for and consideration of our views.

Sincerely,

John McKenzie

President

Indiana Credit Union League