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August 6, 2007

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

Re: NCUA: Chartering and Field of Membership for Federal Credit Unions, 12 CFR Part 701

Dear Ms. Rupp:

The Independent Community Bankers of America (ICBA)¹ appreciates the opportunity to offer comments in connection with proposed amendments by the National Credit Union Administration (NCUA) to its Chartering and Field of Membership Manual. The NCUA is proposing to revise the documentation requirements for Federal Credit Unions that want to establish community charters.

ICBA's Position

The Credit Union Membership Access Act, passed in 1998, (CUMAA) amended the Federal Credit Union Act. CUMAA authorizes the NCUA Board to define by regulation a "well-defined local community" for federal credit unions seeking community charters. Since CUMAA was enacted, the NCUA has issued broad and increasingly expansive definitions of a "well-defined local community". In 2003, for example, the NCUA changed its Chartering Manual and stated that political jurisdictions regardless of the size of the population or land area served were presumed "local communities." The NCUA is now proposing to once again modify its Chartering Manual and treat Statistical Areas and Rural Districts as presumptive local communities.

¹*The Independent Community Bankers of America represents the largest constituency of community banks of all sizes and charter types in the nation, and is dedicated exclusively to representing the interests of the community banking industry. ICBA aggregates the power of its members to provide a voice for community banking interests in Washington, resources to enhance community bank education and marketability, and profitability options to help community banks compete in an ever-changing marketplace.*

With nearly 5,000 members, representing more than 18,000 locations nationwide and employing over 265,000 Americans, ICBA members hold more than \$876 billion in assets \$692 billion in deposits, and more than \$589 billion in loans to consumers, small businesses and the agricultural community. For more information, visit ICBA's website at www.icba.org.

ICBA strongly objects to NCUA’s attempts to expand the statutory definition of a “well-defined local community” by defining “presumptive local communities.” ICBA believes that each community charter application or conversion proposal should be handled on a case-by-case basis rather than on the basis of presumptions of what are “local communities.” The standard should be the amount of interaction and/or shared common interest present in each community. Perhaps more important should be the ability of the credit union applying for the charter to be able to document that interaction and shared common interest.

The NCUA claims potential community credit union applicants need “objective measurable standards” to define a local community because they are confused by the present standard and this confusion makes them less likely to apply for a community charter. While acknowledging that using the concept of “presumptive local communities” will make it easier for applicants to demonstrate whether a proposed area is a “well defined local community,” the NCUA believes that the new standard will result in more objective application of standards and more efficient use of agency resources.

However, based on NCUA’s own figures on community charter growth, community credit union applicants do not appear confused or intimidated by the present standard. If anything, the figures suggest the NCUA applies the current standard too loosely and does not require enough documentation from applicants to support their claims of a “well-defined local community.” In 2000, approximately 8.6% of federal credit union charters were community charters. By the end of 2006, approximately 22.5% of federal credit union charters were community charters and the proportion of federal credit union members that belong to federal community charters had expanded to 32.6% of all credit union members.

ICBA believes it is inappropriate to presume the existence of a local community based on Office of Management and Budget (OMB) statistical areas. The appropriate use of Metropolitan Statistical Areas is for collecting, tabulating, and publishing statistics. While core based statistical areas or CBSAs indicate interactive commuting patterns, they do not necessarily demonstrate the kind of shared common interests or social interaction found in a local community. This is particularly true for large urban areas or communities with multiple political jurisdictions. The areas of Boston, New York, Philadelphia, and San Francisco for instance, may qualify as CBSAs, yet each of these areas are an amalgamation of “local communities” with different cultures, interests, and interactions.

By defining and using “presumptive local communities”, the NCUA is trying to broaden the definition of a “well-defined local community.” The proposal is inconsistent with CUMAA’s requirement that the field of membership boundaries of a federal credit union be limited to “a meaningful affinity and bond among members in the context of shared and related work experiences, interests, or activities, the commonality of routine interactions, and a well-understood sense of cohesion or identity.” The NCUA approach undermines the concept of the common bond supporting the parameters established by Congress. In fact, taken to its logical conclusion, the NCUA approach belies the distinction between a community credit union and a community bank. Without some meaningful distinction, there is no need for a separate charter and the credit union should become a commercial bank.

We also disagree with the NCUA's proposal to define a rural district as an area that is not a CBSA with a population density not exceeding 100 people per square mile where the total population of the rural district does not exceed 100,000. Since there are no physical boundaries to the proposed definition, a rural district could encompass a broad expanse of territory covering hundreds of square miles and many different political jurisdictions. Second, the proposed definition ignores CUMAA's mandate that the area be a local community. In fact, the NCUA acknowledges that its proposed definition of "rural district" would lack the traditional characteristics of interaction or shared common interests. ICBA believes that a "rural district" should be defined in a way that requires the NCUA to take into account the amount of interaction and/or shared common interest that is present in the rural community.

Conclusion

ICBA strongly objects to NCUA's attempts to expand the statutory definition of a "well-defined local community" by defining "presumptive local communities." ICBA believes that each community charter application or conversion proposal should be handled on a case-by-case basis rather than on the basis of presumptions of what are "local communities." Furthermore, ICBA believes it is inappropriate to presume the existence of a local community based on Office of Management and Budget (OMB) statistical areas. We also disagree with the NCUA's proposed definition of a rural district since it doesn't take into account the amount of interaction and/or shared common interest that is present in a rural community. ICBA urges the NCUA to withdraw its proposed amendments to its Chartering Manual.

ICBA appreciates the opportunity to comment on the NCUA's proposed amendments to its Chartering Manual. If you have any questions about our letter, please do not hesitate to contact me at 202-659-8111 or Chris.Cole@icba.org.

Sincerely,



Christopher Cole
Regulatory Counsel