

June 13, 2008

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

Re: Proposed Amendments to Chartering and Field of Membership Manual (IRPS 08-2)

Dear Ms. Rupp:

On behalf of the Board and Management of United Federal Credit Union, thank you for the opportunity to comment on the proposed changes to NCUA's Chartering and Field of Membership Manual (IRPS 08-2) regarding underserved areas.

United Federal Credit Union is concerned about this proposal and fears that it will adversely impact federal credit unions that are attempting to serve more underserved areas.

Rather than making it harder, our credit union believes that fewer obstacles should be put in the way of those credit unions who want to extend their lower cost services into an increased number of underserved areas. This rule does the opposite.

There has been much discussion and debate centered on credit unions and their efforts in serving the underserved in recent years. While no one would question that more needs to be done, many credit unions have stepped up to this challenge, even in the face of heightened banker attacks and additional scrutiny from regulators and Congress, and have extended access to affordable financial products and services to millions of underserved Americans. Despite these successful efforts, recent regulatory actions such as the promulgation of the rule prohibiting community and single common bond credit unions from adopting underserved areas and the seemingly capitulation to the increased demands from bankers and credit union critics have made it increasingly more difficult for credit unions to serve underserved areas. Unfortunately, in our view, the proposed rule fails to measure up to the agency's rhetoric on serving the underserved and offers more of the same by focusing on process and procedure rather than on extending access to credit union service to those of modest means.

The first major problem with the proposal is that it seeks to apply the community charter standards to underserved area expansions. We cannot see any reason that NCUA would see the need to require underserved areas to be documented as a well defined local community as is required of community chartered credit unions. The law does not require such a standard to be met. We question why the NCUA would do so.

If an area is underserved, credit unions should be encouraged to extend their services into that area. There is obviously a need or the area would not meet the eligibility criteria. We do not recall the agency ever making the case that an underserved area was the equivalent of a community charter. Neither has Congress. We strongly feel that a presumption should stand on its own or else it should not be considered a presumption.

We agree with NCUA that any credit unions with previously approved underserved areas should be grandfathered under this proposal. However, we fail to see why a credit union that would like to apply to serve an underserved area should have to submit for a second or third time a horde of documents that NCUA already has reviewed previously to validate an area is underserved.

Another area of concern is the requirement to prove, through a costly and extensive documentation effort, that an underserved area needs more financial institutions and financial products before a credit union is allowed to serve its residents. Simply having financial products and services available is not enough. To make an impact, a financial institution must have a heartbeat for serving underserved areas, not merely opening a branch nearby to try to improve its CRA score. It would be a terrible disservice to the residents of underserved areas for NCUA to deny credit unions from being able to offer lower cost financial services to them on the grounds that there are too many existing financial institutions already offering products to the residents. If the existing institutions, products and services are meeting the needs of the residents, why is the area still qualified by objective criteria as underserved? Again, the presumption should be that an underserved area needs more services and underserved residents need more choices. NCUA's regulatory approach should be to facilitate the extension of those choices, rather than to make the process more cumbersome.

Interestingly, there is a major inconsistency in this area of the proposal. The proposal seems to imply that another institution's ATMs or, if applicable, shared branches would be counted in the total of depository institutions that presently serve an underserved area, thus making it more difficult to make a case that the area needs additional services. Yet, a credit union making application to serve that same underserved area cannot count its own ATMs and shared branches to meet NCUA's requirement for a physical presence within the underserved area. This inconsistency needs to be addressed, most effectively by establishing a true presumption that the underserved area needs more consumer choices and allowing credit unions to include their ATMs and shared branches to help provide those choices. The current proposal works in the opposite direction.

We appreciate your willingness to consider our analysis of the proposed regulation on underserved areas. If you have any questions about our position on this matter, please do not hesitate to contact me.

Sincerely,

Gary L. Easterling
President/CEO

cc: Chairman Johnson
Vice Chairman Hood
Board Member Hyland