Federation

Credit Unions United to Serve the Underserved

June 18, 2008

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

Re: Comments on Proposed Rule Parts 701 and 705: Low-Income Definition

The National Federation of Community Development Credit Unions, which represents more than 200 credit unions serving low-income communities throughout the United States, appreciates NCUA's effort to streamline low-income certification and bring it in line with other federal agencies, especially the U.S. Treasury Department's Community Development Financial Institutions (CDFI) Fund.

We agree generally that changing the standard from median household income to median family income is a reasonable one. We were somewhat disappointed by the agency's inability to assess the likely impact of this change, which we believe is technically possible, if not in a strictly rigorous scientific way. The Federation has done its own analysis of the proposed change based on a sample of California communities and credit unions.. Our best estimate is that the ranks of low-income credit unions would increase by up to an additional 10% - 15% (i.e., 100 – 150 credit unions) under the new standard. We are not aware of any that would lose designation, so we do not anticipate that NCUA's five-year transition period will be greatly tested.

We are greatly concerned, however, that the modification may cause confusion and may not adequately address the status of low-income credit unions that are ***not geographically based.*** Among low-income-designated credit unions, there are many that are either (a) association-based; (b) employer-based; or (c) multi-group. In these cases, many low-income members do not live in a low-income area. It is especially true of faith-based credit unions, which often have geographically scattered members of their congregations. We have found that these institutions, in particular, often have difficulty in obtaining CDFI certification. It is crucial that the revised regulations provide clear and appropriate standards for non-geographic credit unions to obtain and maintain their low-income designation.

Regarding the "grandfather" transition period of five years, while we agree that this is a reasonable period for the great majority of credit unions, there may need to be a waiver or other exemption provision on a limited basis. The Federation routinely makes secondary capital investments for seven years, and some investors make investments for even longer

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periods. Those credit unions with secondary capital investment maturing beyond five years who are at risk of losing their designation should be able to maintain their low-income designation until the expiration of any secondary capital contract they entered into when they were low-income designated. Similarly, a credit union should be allowed to maintain any term non-member deposits until maturity, even if maturity extends beyond the expiration of their low-income designation.

Sincerely yours,

Clifford N. Rosenthal
President and CEO

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