



June 17, 2008

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

RE: Proposed rule, The Low-Income Definition

Dear Ms. Rupp:

Self-Help Credit Union, a North Carolina-chartered credit union and certified Community Development Financial Institution (CDFI), appreciates the opportunity to comment on the proposed change to the definition of low-income persons under the National Credit Union Administration (NCUA) regulations. We applaud NCUA for taking steps to address the lack of clarity in the regulations by changing the relevant standard from median household income to median family income. We agree that this new standard will eliminate confusion associated with applying the income test in areas with higher costs of living.

However, by defining “low-income members” as those who live in an area where the median incomes are lower, the definition excludes those members who do not live in a lower income area but nevertheless are themselves low-income.

By contrast, the CDFI Fund regulations referred to in the text accompanying the proposed new NCUA rule require that, in order to qualify as a CDFI, a financial institution must serve either those who live in economically distressed communities or underserved people, which may include low-income persons. *See* 12 C.F.R. § 1805.201(b)(1). Because of this two-pronged approach to qualifying as a CDFI and also because of the need to comply with the Home Mortgage Disclosure Act, many CDFIs, including credit unions that are CDFI certified, are accustomed to collecting income information from their members and are able to show that their members are not just residents of low-income communities but also low-income persons themselves.

Current NCUA regulations recognize that the definition of low-income members should include those members who earn incomes less than 80% of the household income standard. Under the proposed rule, a credit union that reaches out to low-income

members might nevertheless fail to qualify as a low-income designated credit union if those low-income members do not live in low-income areas. This result runs counter to the intent to provide additional benefits for credit unions whose mission is to serve predominantly low-income **members**, not simply low-income communities.

We suggest instead modifying the new low-income definition to incorporate the two-prong approach used in the CDFI Fund certification regulations. This could be accomplished by adapting the proposed definition in new section 3 of Part 701 of the NCUA regulations as follows, with the additional language in *italics*:

Low-income members means those members: enrolled as students in a college, university, high school, or vocational school; living in a geographic area within a Metropolitan Area, where the median income is at or below 80% of the greater of the Metropolitan Area income standard or the national Metropolitan Area income standard; or living in a geographic area outside a Metropolitan Area, where the median income is at or below 80% of the greater of the statewide, non-Metropolitan Area income standard or the national non-Metropolitan Area income standard; *or who earn less than 80% of the applicable income standard for the area in which they live.*

This approach would be consistent with the goals of both simplifying the qualification process for credit unions that are also CDFIs and also providing clearer guidance to credit unions seeking low-income designation. Thank you again for the opportunity to comment.

Sincerely,

A handwritten signature in blue ink, appearing to read "Randy Chambers".

Randy Chambers
Vice President/CFO
Self-Help Credit Union