19

June 30, 2008

Ms. Mary Rupp
Secretary of the Board
National Credit Union Administration (NCUA)
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 of Directors and Management of America First Federal Credit Union, I appreciate the opportunity to address proposed changes to NCUA's Chartering and Field of Membership Manual (IRPS 08-2) regarding underserved areas.

We at America First are convinced these alterations effectually make adopting underserved areas more difficult, and will discourage credit unions from reaching out to people in need. While we understand the agency's need for procedural review, we are concerned this proposal would bring about less credit union service to underserved areas, not a desirable outcome.

Even though credit unions have succeeded in reaching out to underserved areas and allowing eligible residents to benefit from membership, there have been a number of regulatory actions taken to impede this beneficial progress; we feel these proposed changes would do likewise. For example, the 2006 rule prohibiting community and single common bond credit unions from adopting underserved areas.

We feel that more, not less, should be done to enhance and promote the extension of credit union services into underserved areas. It is our conclusion, after extensive analysis, that the proposed rule change negatively affects credit unions' abilities to meet the needs of underserved populations.

The following are our areas of greatest concern:

Economic Distress Qualifications

One stated purpose of the proposed rule is to clarify the factors that qualify an area as underserved, but we feel it actually creates uncertainty and makes additional unnecessary requirements.

An example is the removal of an entire city located within a Metropolitan Statistical Area (MSA) as a qualified underserved area. Such urban cities are home to most of the payday lenders and check-cashing outlets that prey upon the underserved. It is our belief that an entire city, if it meets the criteria used to qualify individual census tracts as underserved, should likewise be considered underserved. It is further more efficient and effective to develop business plans along distinct and delineated boundaries, such as those of a city or a county.

The agency now grandfathers credit unions that adopted underserved areas and made significant investments in serving them. However, we believe the underserved areas themselves should be grandfathered, eliminating the need for a new documentation package to be submitted with each credit union application. The approval or non-approval of a credit union's application to serve an underserved area should be based on its financial position, business and marketing plans – not whether it was able to redefine an established underserved area.

Depository Institutions and Unmet Needs

We are opposed to a proposed requirement regarding unnecessary studies of adequate depository institutions in an underserved area. It is our belief that the mere presence of financial institutions other than payday lenders is not an effective criterion in determining whether an area is underserved; it is an unfair assumption to maintain that residents of certain census tracts have all of the financial choices they need.

The proposed rule is extremely complicated in regard to unmet needs, as it envisions a complex matrix for validating whether an area is being adequately served by its existing financial institutions. Although we feel that the qualifying criteria utilized by Community Development Financial Institutions (CDFI) and other applicable data sources provides an objective standard by which an area can be determined to be underserved, we believe that applying a single matrix to every area is cumbersome and without justification.

ATMs and Shared Branching

Interestingly, the agency is also considering the approval of underserved applications partially based upon how many ATMs and shared branches exist in the area. Yet, NCUA does not allow a credit union seeking to serve an underserved area to count its own ATMs and shared branches as part of its facilities plan to demonstrate a sufficient physical presence in the area. This is inconsistent.

Financial Services and Unmet Needs

Since 1994, the NCUA determined that geographic areas meeting the CDFI definition of underserved or other approved indicia were, by virtue of having satisfied third-party economically based criteria, in need of additional financial services.

This proposal, however, suggests that meeting third-party economically based criteria is not sufficient. In addition to applying a complex matrix to determine if there are enough financial institutions serving a particular area, the agency proposes to add a difficult-to-quantify standard regarding the lack of specific products and services available in the area. We feel this standard will take the well-defined, objective nature of the CDFI definition into the realm of the subjective. We encourage the NCUA to remove the provision to document "economic distress" and "significant unmet needs." We believe this proposal would likely deter some credit unions from applying to serve underserved areas.

Furthermore, the amendment proposes to require an extensive package of data to supplement the CDFI criteria in the areas of "economic distress," "significant unmet needs" and "service by other financial institutions," in addition to the required one-page cover letter. We feel this documentation is redundant, as the CDFI criteria establish the proposed area as underserved.

What Makes a Local Community?

We are concerned that the proposed changes essentially require a credit union to provide the same extensive documentation to serve an underserved area as it would to apply for a community charter. There seems to be no justifiable reason why the NCUA would require such extensive documentation for smaller geographic areas that meet objective criteria as being underserved.

The ideal that a smaller geographic area can be both underserved, as well as an interactive community, undermines the purpose of encouraging credit unions to extend service to these areas. We find nothing in the statute or history of NCUA regulation that specifies an underserved area be the legal equivalent of a community. This renders the additional community interaction documentation unnecessary.

21

Pending Applications

We see no reason to enact a proposed rule without an adequate comment period. Although we have no applications for serving an underserved area pending, we are concerned about the precedent of arbitrarily suspending an existing regulation before another is enacted to amend it. W do not see that this moratorium is in good faith with those credit unions in the process of complyin with existing regulations.

Why this Proposed Rule Now?

With several pieces of legislation such as the Credit Union Regulatory Improvements Act (CURIA) and the Credit Union Regulatory Relief Act (CURRA) under serious consideration by the U.S. Congress, it is possible that underserved area statutes may change. If so, this proposed rule woul require another set of revisions in the near future, creating uncertain regulatory guidance for those credit unions interested in extending their services to underserved areas. With no compelling reaso to revise a final rule that has been in place since 1994, we encourage the NCUA to defer any actio on this proposal, allow the current underserved rules to remain in place until any statutory changes can be evaluated, and return to its position of encouraging credit unions to serve underserved area by removing unnecessary procedural hurdles.

We appreciate the opportunity to comment. Please do not hesitate to contact us if we can be a source of additional information about this proposal or any other matter.

Sincerely,

Rick Craig

Rick Craig
President/CEO

CC: Chairman Johnson
Vice Chairman Hood
Board Member Hyland