



August 7, 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:

Please accept this letter as our official comments in response to the proposed amendments to the Chartering and Field of Membership Manual (IRPS 08-2) regarding the process for approving underserved areas.

We are very concerned that if implemented as proposed, the rule would have a significant adverse impact on the credit union industry's ability to serve those of modest means. This has been our mission and passion since credit unions were first chartered, and continues to be today. We believe providing value to consumers in underserved areas is the best example of credit unions living that mission. We see troubling issues in the language, the potential precedent being set with the existing applications for underserved charters, and the process by which we have arrived at this crossroads.

The proposed rule seems to require credit unions to establish that an underserved area be a "Well Defined Local Community", which is a similar process a credit union goes through to apply for a community charter. This does not encourage credit unions to bring their services to those in underserved areas. We believe it may in fact drive credit unions that might not otherwise do so, to seek community charters, and even conversions to mutual savings banks.

The proposed rule seems to suggest that objective, statistical data is no longer enough to identify an underserved area. It is puzzling to us that the NCUA seeks to require credit unions to demonstrate that an area has "significant unmet needs" that are not being met by the "other depository institutions". Especially since the proposed criteria is written so broadly, one could assume the NCUA would consider an area to be sufficiently served by other depository institutions as long as they had a few ATMs in the area and provided access to consumers via phone and on-line banking. This would not help credit unions who, as a movement, want to go into underserved areas. We want to be there to help those

consumers improve their financial position and teach financial literacy to their children, so they can break the cycle of exploitation by Check Cashers and Payday Lenders. The proposed rule would just make this more difficult. We urge you to remove these two provisions in particular and help us bring our much needed products, services and affordable pricing to the underserved areas all over the country.

We looked at what the proposed rule would mean in our community. We have several contiguous census tracts that qualify as underserved under the current rule, both individually and as a whole. Within that underserved area, we have three full-service branches. Under the proposed rule, it is unclear and perhaps unlikely that we could obtain an underserved charter from NCUA. It seems ironic that a couple of ATMs from "other depository institutions" could be the reason why we couldn't receive approval for an area that borders our primary sponsor and contains three of our five branch offices.

Equally disturbing to the language put forth in the proposed rule is the precedent that could be set as NCUA works through this change. The NCUA has the responsibility to enforce and modify rules that are in the best interest of the credit union movement and the members it serves. As we now understand it, there are somewhere between 17-20 credit unions who submitted applications for underserved charters prior to the issuance of IRPS 08-2 in June. Apparently no action will be taken on these until the comment period has ended and the new rule is in place. These credit unions submitted their applications in accordance with the rules that existed at the time. We believe it is a dangerous precedent for the NCUA to deny action on these in order to decide on them "according to what the rule might be in the future". Certainly a credit union wouldn't be allowed to operate today under guidelines we hoped would be adopted through legislation in the future. It is very discouraging that the NCUA would take that position and it concerns us that in doing so, it has already established a future precedent.

Finally, it seems that the proposed rule is a result of political pressure that is being placed on NCUA. We believe it illustrates the crossroads we are at as an industry. Do we fight to continue to differentiate our unique value and mission, or do we blend in with everyone else on the financial services periphery? It is our concern that the implementation of this rule could make it so difficult to prove an area is underserved, that no underserved charters would be granted by NCUA in the future. We urge the NCUA not to adopt this change and stand up for credit unions and the consumers who need us.

Thank you for the opportunity to present our views on the proposed rule. Please don't hesitate to contact me if I can be of any assistance or answer any questions you may have.

Sincerely,



David Kennedy
President/CEO
University of Kentucky Federal Credit Union

cc: Chairman, Michael Fryzel
Vice Chairman, Rodney Hood
Board Member, Gigi Hyland