



August 18, 2008

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

Subject: Comments on Proposed Rule Part 701.1 – Underserved Area Fields of Membership

Dear Ms. Rupp:

We have reviewed the subject proposed rule, and respectfully offer our comments for NCUA consideration. Given continued legal challenges to community-based fields of membership (FOM), we recognize and appreciate NCUA's impetus for reviewing and addressing this highly-complex issue.

In general, we believe that assurance against legal challenges to FOM's granted by the NCUA is the responsibility the agency, and that existing rules are generally sufficient to facilitate sound and legal NCUA decisions. Each decision regarding underserved area FOM requests appropriately relies upon the preponderance of evidence demonstrated by each respective credit union. NCUA is fully qualified to consider, on a case-by-case basis, the extent to which an application fulfills underserved area criteria. To the degree that legal challenges have revealed weaknesses in recently granted FOM's, NCUA has a duty to address internal agency training and processing deficiencies to resolve these weaknesses. Consequently, significant changes to underserved area FOM rules are not necessary, as such an approach creates a high probability of unintended consequences that would negatively and unnecessarily impact credit unions' ability to serve underserved areas.

Notwithstanding the foregoing, we offer our constructive comments to the proposed rules.

Definition of a Local Community

Based on our analysis of the proposed rule, it appears that the "local community" standard for underserved areas is no longer aligned with the standards for community chartering rules. Specifically, under the proposed rule, only an area comprised of a single political jurisdiction (i.e., city or county) satisfies the local community requirement;

while areas that are comprised of a Metropolitan Statistical Area (MSA), or a portion thereof, continue to require a letter describing and supporting sufficient interaction and/or common community interests.

By definition, statistical area census classifications indicate high levels of economic, social, and/or cultural interaction, thus supporting the existence of a local community. Census data and classifications are objective and developed independent of the NCUA and the credit union movement, thus effectively removing the potential for dispute because of subjective analysis.

NCUA's Proposed Interpretative Ruling & Policy Statement 07-01 established a new statistical definition for a well-defined local community in cases involving multiple political jurisdictions for community charter requests as follows:

- The area must be a recognized Core Based Statistical Area (CBSA), or part thereof without a Metropolitan Division;
- The area must contain a dominant city, county, or equivalent with a majority of all jobs in the CBSA; and
- The dominant city, county, or equivalent must contain at least 1/3 of the CBSA's total population.

We suggest that NCUA revise the proposed underserved rules to indicate that MSA's meet the local community requirement when the three criteria listed above are met.

Underserved by Other Depository Institutions

The rule proposes the use of measures purported to sufficiently determine whether an area is adequately served based on the concentration of depository institutions within the area. While this approach may be appropriate to consider service of other depository institutions in areas where such facilities are generally lacking, the proposed methodology mistakenly assumes that the mere presence of depository institutions equates to desirable service, as well as the extension of products and services to the underserved.

We suggest that, when evaluating the service provided by existing depository institutions to an area, two critical criteria exist and must be considered.

First, the degree to which existing depository institutions serve economically challenged individuals and families in an area must be determined. Do the existing institutions adequately serve those individuals and households of modest means; or, do the financial institutions in the area merely serve higher-income/wealthy customers that live in the area, live near the area, routinely commute through the area, or who own businesses in the area? If existing institutions do not serve the economically challenged to any significant extent, they are not adequately serving the area.

Second, relevant market competitive factors should be considered, which is not possible using the proposed facilities concentration approach. It has been our experience that credit unions have a profoundly positive impact on members in any community when they enter a new geographic market, which is especially the case when the geographic area is an underserved area. Specifically, credit union success in underserved areas is, in part, the result of value-priced products and services, convenient operational hours, strong community involvement and support, and marketing to those of modest means. If market competitive factors in a prospective underserved area are inferior to those in other market areas, the area is not adequately served by existing institutions. This is especially relevant if the competitive market factors of existing institutions are inferior to those contemplated by the credit union requesting the underserved area charter amendment.

We respectfully suggest that, as an alternative to using the facilities concentration approach, credit unions be given the choice of providing a written market analysis that supports that either existing depository institutions are not serving those of modest means within the area; or, that competitive market factors are inferior to other markets.

Conclusion

We respectfully suggest that NCUA first review their internal chartering practices to assure consistency and reduce the prospects for future legal challenges, as it is our observation that existing rules are sufficient when appropriately applied. However, to the extent that new rules are necessary, we ask that NCUA consider the burden that new complex rules would impose on credit unions, as well as related unintended negative consequences that may occur.

Thank you for considering the comments of Security Service Federal Credit Union. If you have any questions or require clarification, Chief of Staff Howard Baker or I are available at your convenience at 1(800) 832-4601.

Sincerely,



DAVID E. REYNOLDS
President & CEO

cc: Fred Becker, CEO, National Association of Federal Credit Unions
Dan Mica, CEO, Credit Union National Association