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Mary F. Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428
Via email to: regcomments@ncua.gov

August 1, 2007

Re: National Credit Union Administration; Chartering and Field of Membership for Federal Credit Unions; 12 CFR Part 701; 72 Federal Register 30988, June 5, 2007

Dear Ms. Rupp:

The Pennsylvania Bankers Association (PBA) wishes to register its strongest objection to the proposed rule that would amend NCUA's Chartering and Field of Membership Manual ("Chartering Manual") to treat Statistical Areas and Rural Districts as presumptive local well-defined communities and to authorize the consideration of applications that designate as a single well-defined local community a geographic area consisting of two or more separate statistical areas or a geographic area without a single urbanized core containing at least one-third of the entire population of the area and a majority of all jobs within the area.

PBA represents approximately 205 national and state banks, bank and trust companies, savings banks, savings associations, and their subsidiaries and affiliates in the Commonwealth.

NCUA proposes to create two, new presumptive local community designations containing multiple counties. Currently, only a single county or city meets the requirement of being a presumptively local community.

For the **first** new designation, the NCUA Board proposes that a "statistical area" be designated as a well-defined local community, if three conditions are met.

1. The proposed area is a recognized core based statistical area ("CBSA") without a Metropolitan Division. A Metropolitan Statistical Area is a CBSA.
2. A majority of the area's jobs must be within a dominant city or county in the CBSA.
3. The dominant city, county or equivalent must contain at least one-third of the area's population.

For the **second** new designation, the NCUA Board proposes to define a “rural district” as a local community. A rural district is an area that is not in a CBSA and that has a population density not exceeding 100 people per square mile where the total population of the rural district does not exceed 100,000. Therefore, a rural district could encompass a large geographic area, where there is no meaningful affinity among potential credit union members.

In addition, for areas that do not meet these presumptive tests, the NCUA Board proposes to allow credit unions to submit additional data demonstrating that areas constituting multiple statistical areas or without well-defined cores nonetheless constitute well-defined local communities subject only to public notice and comment proceedings without the provision of an opportunity for administrative hearings.

Bases for our objection

NCUA’s proposal would significantly expand the definition of community beyond any reasonable definition of “local” and circumvents Congressional intent as expressed in the Credit Union Membership Access Act. When Congress amended the Federal Credit Union Act in 1998, it intentionally inserted the term “local” as a means of limiting the geographic scope of community chartered credit unions. Congress clearly intended to impose finite and narrow limits on the area that a community credit union may serve.

A statistical area is not local. A CBSA describes the interaction of the outlying county or counties with the central (dominant) county or city. However, a CBSA does not measure the commonality and interaction among the outlying counties or with respect to all local municipalities located within the core county and any outlying counties. It is unlikely that outlying counties on their own merits could meet the standard of interaction to warrant them being considered a local community or that all municipalities within many counties share significant levels of economic and social interaction. The Federal Credit Union Act does not authorize the NCUA to combine unrelated counties to maximize the geographic reach of a community charter. Second, the NCUA Board recognizes that an important characteristic of a local community charter is that there must be some geographic certainty to the community boundaries. But a CBSA’s boundaries are subject to periodic review and change over time.

As a result, the NCUA should require the presentation of evidence of social and community interaction of the type required by V.A.4(b) for the designation of any statistical area as a well-defined local community and rather than treating any statistical area in which a core county contains 30% of the total population and a majority of all jobs as presumptively qualifying for designation as a well-defined local community, should instead prohibit the designation of any statistical area that does not satisfy these standards as a well-defined local community. In addition, any application proposing to treat an entire statistical area as a well-defined local community should be subject not only to public review and comment, but also to administrative hearings upon the application of other adversely affected financial institutions located with the same alleged “community.”

A rural district would not meet Congress’s intent. In 1998, Congress found that “a meaningful affinity and bond among members, manifested by a commonality of routine interaction, shared and related work experiences, interests, or activities, or the maintenance of an otherwise well-understood sense of cohesion or identity is essential to the fulfillment of the public mission of credit unions.”

But the proposed rural district could encompass a vast geographic area where there is little commonality of interest or interaction. In its proposal, the NCUA Board acknowledges that “it is proposing a definition that reflects an area that may lack the traditional characteristics of interaction or shared common interests.” The lack of meaningful affinity conflicts with the statute and would make it more difficult for credit unions to fulfill their public mission.

Summary of our position

NCUA’s proposal would extend fields of membership far beyond those allowed by law or envisioned by Congress in the creation of credit unions as special purpose cooperatives united by a genuine common bond.

We respectfully request the withdrawal of this proposal and a re-examination of NCUA’s policy that a single political jurisdiction, regardless of population size, can legally be deemed a well-defined local community.

Sincerely,

A handwritten signature in cursive script, appearing to read "Louis O. Reed". The signature is written in black ink and is positioned below the word "Sincerely,".