



February 22, 2010

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

Re: Proposed Amendments to the National Credit Union Administration Chartering and Field of Membership Manual (IRPS 09-1)

Dear Ms. Rupp:

On behalf of the Board and Management of Greylock Federal Credit Union, please accept the following comments for the official record regarding NCUA's proposed changes to the federal community charter rules, Chartering and Field of Membership Manual (IRPS 09-1).

Greylock Federal Credit Union was founded 75 years ago in Pittsfield, Massachusetts, originally as the Pittsfield GE Employees Credit Union. With a decline in GE's local operations, the need for diversification in order to strengthen the long term safety and soundness position of the credit union brought about an expansion of our field of membership with the addition of two select employer groups when NCUA began to allow SEG expansion in the 1980s.

Continuing to have the need for diversification, the credit union applied for and was granted a conversion to a federal community charter in the mid-1990s. Our credit union is today still around and making a positive difference in the lives of our members and our community because of the progressive approach to field of membership that has been taken by NCUA in the past.

It was in the mid-1990s that our credit union, upon receiving our federal community charter, adopted the name Greylock Federal Credit Union. Our current field of membership consists of those who live, work, worship, or attend school in Berkshire County, Massachusetts (population 134,000 and declining). Berkshire County sits on the Massachusetts border of three states - Vermont, New York and Connecticut.

Greylock experienced solid growth through the diversification granted with the federal community charter. Not only did it allow us to survive, the community charter allowed us to thrive. We expanded our branch network into the northern and southern sections of the Berkshire County, thus allowing us to serve persons from the surrounding states who worked, worshipped or attended school in Berkshire County. Greylock has also had the opportunity to merge with two smaller SEG-based credit unions in the county, thus continuing to position the credit union to more effectively serve our community.

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Greylock Federal Credit Union, 150 West Street, Pittsfield, MA 01201-9114  
(413) 236-4000 • Fax (413) 443-0292 • Special device for the hearing-impaired - TDD (413) 443-0095  
[www.greylock.org](http://www.greylock.org)

Our current asset size exceeds \$1.2 billion; our loans outstanding are approximately \$1 billion. Greylock Federal Credit Union is “well capitalized” according to the statutory and regulatory requirements, largely because of the opportunity afforded us through the NCUA community charter rules in the past.

Greylock plays a major role in strengthening the Berkshire community which we serve. We are by far the top mortgage and auto lender in our market. In 2009, Greylock provided 38% of the first mortgages originated in Berkshire County and 92% of the auto loans provided to local residents. We are also the top Small Business Administration (SBA) lender in the region. There is a notable absence of check cashing outlets and payday lenders in Berkshire County, largely due to the progressive approach to service to persons of modest means by Greylock. We have achieved, as verified only a few months ago in December 2009 by Callahan and Associates, top status in the U.S. for value delivered to the members.

However, despite this success, Greylock Federal Credit Union has begun to saturate our market with a staggering penetration rate of 68,000 members out of a total county population of 134,000.

Total deposits in the entirety of Berkshire County are approximately \$4 billion. This deposit base is divided among 13 banks and 7 credit unions in the county. At \$1.2 billion in assets, Greylock is the second largest locally headquartered financial institution in our community. The other two local institutions (\$2.7 billion Berkshire Bank and \$900 million Legacy Banks) have grown by acquisitions and branching in central Massachusetts, Vermont, and New York state. They are gaining their deposit growth through expansion into the surrounding areas that they consider part of their community market area but cannot be part of ours because of our single county community charter.

Further diversification of our field of membership has been a key strategic focus at Greylock for the past five years. Our success in member service must be sustained, which requires the additional growth options that come with more potential members for us to reach out and serve. Without such diversification, we fear that we will not be able to sustain both our extraordinarily strong member service performance and our strong financial picture going forward.

In recognition of this need, Greylock requested an expanded field of membership in 2005 that would have simply added forty-two towns immediately contiguous to Berkshire County to our existing community definition. This request would have added approximately 44,000 new potential members. The request was based on the fact that these surrounding towns are predominately rural in nature with few commercial services available. The overwhelming majority of the residents in these towns, as well as most of the surrounding area, come into the Berkshires for grocery and other shopping, medical services, higher education, recreation, and cultural interaction. Berkshire County is the closest source for these types of services and is

unquestionably the center of what is a very strong and viable interactive community. Unfortunately, because the community crosses more than one Metropolitan Statistical Area our application met considerable stumbling blocks to approval at NCUA.

Because of the integrity with which we approach the field of membership we have been granted by NCUA, we are forced routinely to turn away applications for membership from people living in these contiguous communities. This is unfortunate for both us and those individuals because Greylock Federal Credit Union offers far more convenience for value-driven banking services than any other institution in these outlying areas. In our view, it is absolutely imperative that NCUA become more flexible to allow federal credit unions to gain approval for community charters and expand existing community charters. If not, we believe that the viability of the federal credit union charter will be significantly diminished.

Our 2005 community charter expansion request was not well received by NCUA based on their stated reason that the towns were located in different Metropolitan Statistical Areas (MSAs). Despite the rural nature of these towns, our numerous discussions with NCUA regarding their interpretation of MSA criteria, as well as their seeming difficulty with a community crossing a state line despite the federal nature of their chartering authority, led us to withdraw our application without prejudice.

Without question, as we look at a number of other towns and rural districts that are integrally a part of the Berkshire community in which we reside (although not a part of Berkshire County of which we are presently limited to serve), we know that we can create appropriate business and marketing plans to bring outstanding value to the residents of the expanded community. We are also positioned to do so in a safe and sound manner in what would amount to much more convenient locations than any of the smaller institutions currently existing within their own MSAs. We still retain and value our right to submit an application to expand our community, provided the rules and agency interpretations allow the community to be approved. We hope to do so again in the foreseeable future.

It is upon this backdrop that we read with interest the recent proposed rule by NCUA to amend its community chartering policies with a stated objective of "streamlining" the process for credit unions in need of the very type of diversification Greylock requires. In particular, we hoped that the new "streamlined" procedure would enable us to make a case to define a community across state or MSA lines. Absent that opportunity, it was our hope that the definition of "rural district" would provide some alternative opportunity for Greylock to achieve the diversification we need.

After reading the proposed rule in depth, we are quite disappointed and have concluded that the language will not address the needs of Greylock Federal Credit Union or other credit unions that might be in a similar position with little or no opportunity for future diversification. As safety and soundness regulators, it was our hope that NCUA would recognize the direct correlation

between the ability to have a viable and dynamic field of membership and the safety and soundness position of a federal credit union.

We are most concerned about several aspects of the proposed rule that make us doubtful that it will live up to its billing as a “streamlining” of the community charter process.

One of our primary areas of concern is that the proposal removes the ability to apply for a community charter unless the very strict guidelines for determining a community specified in this rule are met. In other words, this proposal only “streamlines” the process for multi-county communities that fit into a nice box with a central hub having 33% of the population and 50% of the jobs in a community. There are many more communities which do not meet the proposed criteria than those that do.

We were surprised to learn that the proposal fails to provide an applicant the opportunity to document how a community that does not fit the “streamlined” definition is actually a community – even if it is. If a community is not “streamlined” in, then it is “streamlined” out according to the proposal as currently drafted. I would suppose that this could be considered “streamlining” by some, but it is the closing of a needed diversification door for many credit unions.

If the agency is intent upon including a “streamlined” approach for multi-jurisdictional communities, then we would strongly urge the Board to also authorize the use of narrative statements and accompanying documentation in those instances where the proposed community does not fit squarely in the proposed “streamlined” definition. While many, if not most, community charter applicants will choose to utilize the “streamlined” approach, the option of submitting a narrative statement will still provide credit unions like Greylock an opportunity to make their case for their particular community.

We see this proposal as a “one size fits all” approach that does not reflect the broad geographic differences in communities across this nation, many of which are multi-county, multi-MSA, and even multi-state. It seems to eliminate suburban communities as they lack a central hub in many instances, and the proposed rule’s attempt to allow for “rural districts” is extremely restrictive with a 100,000 population limit and difficult to meet in other aspects of its qualifying criteria in the event any part of the rural area is included in an MSA – even on the outskirts.

We are convinced that NCUA should expand its extremely tight definitions included in this proposed rule and recognize that the federal charter should not be so restricted in its definition of a community that it refuses to cross state lines or MSA boundaries. As an alternative, Greylock seriously encourages NCUA to consider a congressional district within a single state as a political jurisdiction that, by its nature, sufficiently evidences sufficient interaction to qualify as a well defined local community.

Although we philosophically find population caps for potential communities to be problematic as they emphasize size over interaction, congressional districts are worthy of consideration because they always have a population of less than 1 million residents, usually closer to 600,000. The common bond of shared representation fosters considerable presumed interaction and community of interests – a status established by our forefathers who mandated them in the U.S. Constitution and our state legislatures that establish them after each census. In fact, it could be argued that congressional districts are, if not a *prima fascia* case of a “well defined local community,” certainly a *de facto* recognized political subdivision in every state of the union. With a more progressive approach to defining what constitutes a community, NCUA could restore some of the luster of the federal charter that brought Greylock into the federal credit union charter about fifteen years ago.

We recognize that a credit union seeking to serve an entire congressional district would still be required to submit an appropriate business and marketing plan demonstrating how it would safely and soundly serve the entire community. The decision to approve the community charter would then be based upon what it should actually be primarily based upon in today’s very decentralized marketplace – a credit union’s ability to safely serve its community, not an artificially defined community that emphasizes size and population more than whether the credit union can develop a business plan to effectively serve the community it desires to serve. Of course, if the credit union cannot sufficiently demonstrate its ability to serve the entire congressional district, it should be able to pare the community down to fit its ability to serve as long as the resultant community is within the confines of the congressional district.

Another recommendation that we would make to improve the proposed rule would be to increase the strict population limit of 100,000 for rural districts. Our recommendation would be to increase that population limit to no less than 300,000. A limit of 500,000 would be even more reasonable. The reasons we make this recommendation are listed below.

Berkshire County has a population of 134,000 and is certainly extensively rural in nature. With the proposed population limit of 100,000, Greylock Federal Credit Union could never hope to expand its services into surrounding rural counties and towns without falling out of compliance with the population cap. Even though these surrounding rural counties and towns will be unlikely to start or maintain their own credit unions, their residents will lack access to lower cost financial services because Greylock cannot apply to serve them as part of an expanded rural community.

There is always a danger when an agency attempts to set a standard definition to apply to every community in this nation. We encourage NCUA to recognize this fact, and we believe that the proposed “streamlining” rule misses that mark.

With the ability to submit documentation of communities beyond the “streamlined” definition, the recognition of a congressional district as a presumed local community and the lifting of the

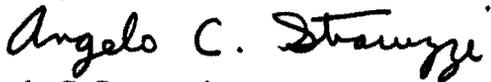
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population cap for rural districts to a minimum of 300,000 and perhaps as much as 500,000, we would actually be in a position to applaud this proposed rule. However, without such changes we feel that the proposed rule will close considerably more opportunities than it opens for credit unions like Greylock.

We seek the viability of the federal credit union charter to be protected for those who need diversification in their field of membership beyond extremely restrictive "one size fits all" definitions as proposed in this rule. Although we greatly value and appreciate the difficult challenge the agency faces in developing rules that provide sufficient opportunity for all credit unions to survive and flourish in today's challenging marketplace, Greylock Federal Credit Union respectfully asks that NCUA consider our revisions to the proposed community charter rules as a means to improving the proposal and strengthening the federal charter as it relates to the definition of communities for field of membership chartering purposes.

If we can be of assistance regarding the information provided in this official comment letter, please do not hesitate to contact us.

Sincerely,



Angelo C. Stracuzzi  
President and Chief Executive Officer

cc: Chairman Matz  
Board Member Fryzel  
Board Member Hyland  
Mark Treichel, Director, Region I  
Daniel Ryan, Supervisory Examiner, Region I