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Subject: Texas Credit Union League Comments on Proposed Rule IRPS 09-1
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April 15, 2010

Ms. Mary Rupp

Secretary of the Board

National Credit Union Administration

1775 Duke Street

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VIA EMAIL to regcomments@ncua.gov <<mailto:regcomments@ncua.gov>>

Re: Texas Credit Union League Comments on Proposed Rule IRPS 09-1

The Texas Credit Union League (TCUL) appreciates the opportunity to comment on the proposed revisions to the National Credit Union Administration's Rule 701 concerning chartering and field of membership. The Texas Credit Union League is the official trade association serving approximately 561 federal and state credit unions and more than 7.4 million credit union members in Texas.

TCUL supports NCUA's efforts to improve the chartering and field of membership expansion process by streamlining the process and reducing costs to credit unions. However, TCUL has a number of concerns with the agency's latest proposal.

Need for Flexibility

Narrowly limiting the definition of community charters for federally chartered credit unions significantly hampers the ability of credit unions to bring financial services and products to consumers, especially in rural and underserved areas. TCUL stresses that there still needs to be a case-by-case process (particularly for areas covering more than one political jurisdiction) that will allow credit unions to supplement statistical information to make their case that a community exists.

TCUL supports NCUA's grandfathering approach to permit future applications to be approved based on areas NCUA has already permitted. This should be allowed for rural as well as for urban areas.

Single Political Jurisdictional Areas

TCUL agrees with the proposal in that it seeks to retain the current treatment of single jurisdiction so that any county, city or smaller political jurisdiction, regardless of size, is considered by NCUA to be a well-defined local community for purposes of chartering new community credit unions or adding areas to an existing charter.

Multiple Political Jurisdictional Areas

NCUA is proposing four criteria, all of which have to be met, to establish a well-defined local community for areas that cover more than one county, as listed in the summary above.

By taking this approach, far too many statistical areas would be excluded thereby detrimentally affecting the community and future credit union members who would benefit greatly from the services of a local credit union. Rather than requiring community credit unions to meet all four criteria, NCUA should only require credit unions to meet any two of the four criteria offered, thereby providing some flexibility. Thus, an area that is a core-based statistical area and has a dominant city with a majority of all jobs in the area could qualify as a community. Alternatively, NCUA should permit an area to be designated a well-defined local community if it is a core-based statistical area with a dominant city county or equivalent that contains at least one-third of the area's population.

As indicated above, NCUA should also permit credit unions that do not strictly meet these criteria to provide additional narrative information that will document why the area constitutes a community without being overly costly to the credit union or burdensome for NCUA to review.

Rural District

The proposed definition of "rural district" is too exclusionary. Arguably, a "rural district" under the FCU Act does not have to meet the limitations of a well-defined local community

TCUL suggests that NCUA redefine, "rural district" so that a lower, but still reasonable percent of the population, such as 35%, is in an area of the district designated as rural. NCUA should also raise the population limit for the rural district to at least 250,000 or 300,000.

Underserved Areas

NCUA has made serving the underserved too cumbersome and complicated. An underserved area does not have to be confined to a well-defined local community, as that approach ignores the parameters for underserved rural areas. Underserved areas are not required by the FCU Act to meet the demographic requirements established by the Community Development Financial Institution Fund.

NCUA's 'concentration of facilities' approach under which an area is underserved if there are more financial institutions outside the underserved area than within it is not reasonable. This approach ignores situations in which the level of service provided by institutions in a particular area is below what it is in other areas or what it should be.

Marketing Plans

NCUA's proposal regarding the review of marketing and business plans needs to be more flexible. While some periodic review from NCUA is appropriate, an annual review for three years is too onerous and does not give credit unions the appropriate time to adjust the plans as the market develops and the credit union responds to those adjustments. NCUA should give a credit union at least two years to work on implementing its marketing and business plans for the new area.

NCUA does not clarify what supervisory actions a credit union would be subject to if it is not meeting the terms of its marketing and business plans. TCUL feels that federal credit unions should not be subject to any such actions and should be permitted to develop the plans based on the credit union's analysis of the community and the market. Additionally, any potential actions that might be imposed should have been described in the proposal so that interested parties could comment on the specifics and suitability.

Emergency Merger Standards

The proposal would define a credit union "in danger of insolvency" for purposes of an emergency merger as one that has declining net worth to render it insolvent in 24 months; the net worth will be at 2% within 12 months; or the net worth is 2-4%. NCUA should not be authorized to merge a credit union solely because its net worth is at 4%.

Additionally, some credit unions want the ability to voluntarily merge community credit unions and SEG based credit unions prior to being into a forced "emergency" merger.

Conclusion

Thank you for the opportunity to comment on the proposed revisions to the National Credit Union Administration's Proposed Rule IRPS 09-1 regarding changes to chartering and field of membership for federal credit unions. If you or other Board Staff have questions about our comments, please give me a call at (800) 442-5762 x 8516.

Sincerely,

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