BLACK HILLS
FEDERAL CREDIT UNION
A Member-Owned, Not-For-Profit Cooperative
PO Box 1420, Rapid City, SD 57709-1420

November 20, 2012

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

Re: Comments on Notice of Proposed Rulemaking for Chartering and Field of Membership Manual for Federal Credit Unions; RIN 3133-AE02

Dear Ms. Rupp:

As President and CEO of a Credit Union located in one of America's most rural states, I would like to comment on NCUA's proposal to amend the current definition of "rural district." While we all appreciate NCUA's efforts to expand the definition of a "rural district," it is of the utmost importance that a modification alleviates the constraints that currently make rural charters unattainable for so many credit unions.

Our state of South Dakota is an excellent example of the weaknesses in both the existing and proposed definitions. The total population of our state is just over 800,000. The two largest cities, Sioux Falls and Rapid City, anchor the southern corners of the state with populations of 156,592 and 69,200 respectively. The remaining 600,000 South Dakotans are thinly scattered over a vast geographic area where residents routinely travel 75 to 100 miles for goods and services and have strong ties to those communities.

In South Dakota, as in many western states, one county can be larger than a single eastern state or many European countries. In South Dakota, Perkins County is an excellent example of this as it consists of 2,891 square miles, with a population of just 2,982, for a total population density of 1.2 persons per square mile. Many states in the mid-west have similar characteristics yet, as indicated in your executive summary, "the inclusion of the more populated hub city or town may cause the area to exceed the 200,000 limit." This limit prohibits many credit unions from offering credit union services in surrounding rural areas.

The proposed amendment to the definition of "rural district" focuses on expanding the limit to 3 percent of the population of the state, benefiting highly populated states with large cities surrounded by low-density areas. States like ours, which are sparsely populated and have very few large cities, will remain pocketed by huge geographic areas that are underserved. Many of these areas are reservation lands where people could benefit greatly from credit union services.

As I understand from reading the proposal, among the NCUA's concerns in addressing this issue is that credit union charters be limited to reasonable geographic areas. This approach is difficult as "reasonable" in an area with a population density of 3,000 people per square mile is vastly different from an area inhabited by only 3 people per square mile. NCUA's amendment should address the broader perspective, bringing the rural district qualification to more credit unions, in many states, and the availability of credit union services to more truly rural residents.

The new rule must accomplish its intended purpose of alleviating the flaw within the current rule that caps the limit at 200,000 persons, thereby serving mainly those who live in the city. A larger cap of perhaps 350,000 would be the simplest and fairest way to accomplish this.

I thank you, and the NCUA, for your commitment to improve the rule governing "rural district," making this type of charter more accessible to credit unions and thus, allowing them to serve rural populations. I encourage you to amend your proposed rule by increasing the "rural district" to at least 350,000 as this would make it possible for more credit unions to serve the underserved in ***all*** states, not just a few.

Sincerely,

BLACK HILLS FEDERAL CREDIT UNION

Roger R. Heacock
President and CEO