

November 26, 2012

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

**Re: Comments on Proposed Rulemaking, Part 701 - Comments on Notice of Proposed Rulemaking for Chartering and Field of Membership Manual**

VIA ELECTRONIC MAIL: [regcomments@ncua.gov](mailto:regcomments@ncua.gov)

Dear Ms. Rupp:

The Michigan Credit Union League (MCUL) appreciates the opportunity to comment on the NCUA Board's proposed rule to amend the definition of "rural district" that applies to a community credit union charter under NCUA's Chartering and Field of Membership Manual. MCUL is a statewide trade association representing 97% of all credit unions located in the State of Michigan.

The Federal Credit Union Act, as amended by the Credit Union Membership Access Act (CUMAA) in 1998, provides that a community credit union is one organized around a "well-defined local community, neighborhood, or rural district." Through CUMAA, Congress delegated to the NCUA Board the authority to define "rural district" for federal credit union (FCU) charters. Since the enactment of CUMAA, the NCUA Board has gained significant experience in analyzing and determining the appropriateness of criteria as to what constitutes a rural district. In its proposal, the NCUA Board expresses concern that within its alternative sets of criteria used to analyze rural district applications, the current threshold population of 200,000 may be too restrictive.

Currently, the criteria for rural districts includes: well-defined contiguous boundaries; either more than 50% of the district's population resides in areas designated as rural by the U.S. Census Bureau, or the proposed district has a population density of no more than 100 people per square mile; and the proposed district has no more than 200,000 in population. In order to enhance the economic viability of an FCU with a rural district charter, and to account for the reality and importance of including vital, regional economic hubs within a proposed rural district, the NCUA Board is proposing to amend the last criteria, to the greater of 200,000 in population or 3% of the total population of the state in which the district is located.

MCUL supports the NCUA Board's intent to improve the definition of "rural district" that, in its current form, has only generated modest and limited use since its inception. MCUL agrees that the current threshold is too low. MCUL further agrees that the ability to

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include a population hub that would otherwise exceed the threshold for qualification as a “rural district” would enhance potential for membership growth and expansion into underserved rural areas, and enhance the overall economic viability of FCUs utilizing a rural district charter. MCUL appreciates the Board’s willingness to expand this definition so that FCUs would have the opportunity to serve consumers in areas that do not have adequate access to financial services, but who likely utilize population hubs for greater access to a wide variety of services.

MCUL is hopeful, however, that this threshold along with the other components of the rural district definition will be revisited in the near future to determine whether further amendments are necessary to ensure consumers in rural areas are being served. It may be more appropriate to define “rural district” in alternative terms to the statistical area definition currently used – ie., that rural districts are not subject to the same criteria as a well-defined local community, but are contiguous areas with a population that does not exceed 500,000. The current approach and threshold may still result in the exclusion of areas that are reasonably viewed as and actually are rural in nature.

Finally, MCUL supports the NCUA Board allowing those “grandfathered” institutions employing the rural district charter the opportunity to apply for an expansion of their charter based on the new criteria, to serve a broader membership and improve the overall health and viability of their institution.

In sum, MCUL believes federal credit unions will take advantage of the rural district charter in greater numbers as a result of this proposed change. MCUL sees this as a positive step, and greatly appreciates NCUA’s consideration of the issue as well as the opportunity to comment. However, MCUL strongly encourages the NCUA Board to continue to review the concept of “rural district” to determine whether alternative criteria might be more appropriate.

Sincerely,



Dave Adams  
Chief Executive Officer