



**National Association
of Federal Credit Unions**
3138 10th Street North
Arlington, VA 22201-2149

NAFCU | Your Direct Connection to Education, Advocacy & Advancement

November 26, 2012

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

RE: Proposed Rule on Definition of "Rural District"

Dear Ms. Rupp:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents federal credit unions (FCUs), I am writing to you on the National Credit Union Administration's (NCUA) proposed rule regarding the definition of "rural district" for purposes of a community charter. *See 77 Fed. Reg. 59137 (September 26, 2012).*

General Comments

NAFCU has sought changes to the definition of "rural district" ever since the NCUA issued its rule on field of membership for purposes of community chartering in 2007. In several letters to the agency, we outlined specific recommendations and urged the agency to provide greater flexibility for credit unions that would like to serve rural areas of our nation thereby increasing credit availability to those who might otherwise not have ready access to financial services. In our most recent communication with the agency, we recommended incorporating the definitions of the term as used by the U.S. Census Bureau and by the U.S. Department of Agriculture (USDA). Under our first recommended definition, all census tracts designated by the U.S. Census Bureau as nonmetropolitan, i.e., outside metropolitan statistical areas (MSAs) designated by the Office of Management and Budget, would be considered rural areas, as would all census tracts outside of urbanized areas and urban clusters as designated by USDA's Rural-Urban Commuting Area (RUCA) code.

The second recommended definition is based on classifications used by the U.S. Census Bureau for the 2000 census that distinguishes between urban and rural areas. Urban areas are classified as all territory, population, and housing units located within urbanized areas and urban clusters. In general, urbanized areas must have a core with a population density of 1,000 persons per square mile and may contain adjoining territory with at least 500 persons per square mile. Urban clusters have at least 2,500 but less than 50,000 persons. Rural areas are classified as all territory located outside of urbanized areas and urban clusters.

Today, we once again urge the agency to adopt our recommendations.

Population Limit

Under the proposed rule, the definition of “rural district” would be met if the population does not exceed 200,000 *or* if the population does not exceed 3 percent of the state’s population.

NAFCU welcomes the NCUA’s efforts to enable more credit unions to obtain a community charter under the “rural district” designation. While the proposed change would provide flexibility for many credit unions, we believe it will have only a limited effect. First and foremost, we would note that under the “three percent option” only those credit unions that seek to serve in rural areas in the thirteen most populated states in the country would be affected by the proposed changes. Those credit unions that would like to serve persons who live in rural areas in the remaining thirty-seven states and U.S. Territories would remain subject to the arbitrary 200,000 population limit.

We are also concerned that the proposed rule retains the 200,000 population limit. In prior communications with the agency, we urged the NCUA to, at the very least increase this limit to the pre-2010 level of 500,000, which was reduced without explanation. When the agency determined to lower the population limit to 200,000, it effectively determined that a rural area is 60% less populated that it previously had established.

Lastly, NAFCU believes the NCUA should either remove or greatly increase the 100 person per square mile limit as this population density threshold is far too low. NAFCU does not believe a person-per-square mile limitation should be part of the analysis for determining whether a credit union should be granted a community charter with “rural district” designation. If, however, the NCUA insists that it should be part of the analysis the threshold used by the U.S. Census Bureau, as noted above, should be incorporated as it provides a better population density measure.

NAFCU appreciates the opportunity to provide comments to the NCUA on the proposed rule. Should you have any questions or if you would like to discuss these issues further, please contact me at ttefferi@nafcu.org or (703) 842-2268.

Sincerely,



Tessema Tefferi
Regulatory Affairs Counsel