



September 22, 2009

Mr. Alfred Pollard, General Counsel
Federal Housing Finance Agency
Fourth Floor
1700 G Street, NW.
Washington, DC 20552

RE: ANPR on GSEs' Duty to Serve Underserved Markets

Dear Mr. Pollard:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents the interests of our nation's federal credit unions (FCUs), I am responding to the request for comments by the Federal Housing Finance Agency (FHFA) regarding its Advance Notice of Proposed Rulemaking (ANPR) on the FHFA's evaluation of Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation's (Freddie Mac). In particular, NAFCU would like to comment on the part of the ANPR that addresses rural markets.

The ANPR contemplates three definitions for "rural areas." The first definition would distinguish between urban and rural areas as the classifications are used in the U.S. Census Bureau for the 2000 census. Under this definition, rural areas would be those areas outside of "urbanized areas" (core population of 1,000 persons per square mile and may contain adjoining territory with at least 500 persons per square mile) and "urban clusters" (areas with at least 2,500 but less than 50,000 persons). The second definition would define rural areas as all counties assigned a U.S. Department of Agriculture (USDA) Rural-Urban Continuum code (RUC Code). A RUC Code is a code that the USDA uses to classify rural areas and is county based. As a county based system, these designations sometimes encompass both urban and rural areas (especially west of the Mississippi River).

The third definition would combine two different designations, one that the U.S. Census Bureau uses and one used by USDA. Under this approach, all census tracts designated by the U.S. Census Bureau as "nonmetropolitan" would be considered rural areas. Rural areas would also include all census tracts outside of urbanized areas and urban areas as defined by USDA's Rural-Urban Commuting Area code (RUCA code). Unlike the RUC Code, the RUCA code is not county based.

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NAFCU commends the FHFA for engaging in the rulemaking. As we have stated in other settings previously, financial services and products, including home lending products, should be readily available in every corner of the country. Unfortunately, for a number of reasons, including lack of economies of scale and inconvenience, other financial institutions have not adequately served many rural areas. Credit unions have successfully filled this void in many parts of the country and continue to seek to authority to serve as many rural areas as possible. Unfortunately, one obstacle that has stood in the way is the lack of clear and accurate definition of rural areas within the regulatory regime under which credit unions must operate. We believe a clear and accurate definition of the term, if prescribed by the FHFA, could provide a building block for appropriate changes in other regulatory contexts.

In regard to the specific proposals in the ANPR, we would like to take this opportunity to urge the FHFA to adopt the third proposed definition of "rural area." A "rural area," we believe, should not be defined simply by political jurisdiction and designation (i.e., counties). In many cases, an urban setting exists within a particular county, while the urban area is surrounded by areas that are not urbanized (i.e., "rural areas"). The population of the urban area then distorts the population figures of an otherwise rural county. Thus, designating those areas outside an urban area as rural would more accurately reflect the characteristics of that area.

NAFCU appreciates this opportunity to share its comments on the ANPR. Should you have any questions or require additional information please call me at (703) 842-2268 or (800) 336-4644 ext. 268.

Sincerely,



Tessema Tefferi
Associate Director of Regulatory Affairs