

**Statement by NCUA Chairman Debbie Matz
Proposed Field of Membership Rule
December 17, 2009**

One of my top priorities since returning to NCUA has been to refocus our Field of Membership rule so that there will be no more questions about what constitutes a community.

For more than 10 years since passage of the Credit Union Membership Access Act, NCUA has been struggling to clearly define the rule for community charters.

The challenge has always been to balance Congress' intent to provide opportunities for new credit union members while complying with statutory language that requires a "well-defined local community."

- Yet there were no defined population limits.
- There were no differentiations between urban and rural communities.
- There were no provisions for multiple jurisdictions.
- And there were no hard and fast rules for community interaction.

As a result, federal credit unions applying for community charters have been tasked with providing reams of information – hundreds of pages long – in order to demonstrate evidence of a community.

Credit unions have had to prepare – and NCUA staff has had to review – 6-inch-thick binders full of statistics on commuting patterns, shopping trips, hospital visits, newspaper readership, sports leagues... I've even seen community charter applications featuring movie listings!

Because our Field of Membership rule has never defined specific thresholds for community interaction, credit unions and their consultants have felt compelled to put together as much material as they can in the hope that NCUA would find "sufficient evidence."

It doesn't seem right to me that credit unions should have to spend their time and money trying to meet subjective evidence of a community – money that can and should be spent serving their members.

Other government agencies have already developed criteria to objectively define communities to meet a wide variety of goals: HUD, OMB, and USDA, to name a few.

These objective measures take the burdensome guesswork out of applications for government programs.

Now it is time for NCUA to do likewise.

Metropolitan Division: 2.5 Million

For the first time, we are proposing specific definitions for communities based on nationally recognized measures.

For urban and suburban communities, multiple jurisdictions in a geographically certain area will be considered a community if they fall within a single Metropolitan Division.

OMB has found that each Metropolitan Division functions as a distinct social, economic, and cultural area.

However, where a single Metropolitan Division contains multiple political jurisdictions, an overly large population can detract from the community's cohesiveness. This is why we're proposing a population limit for communities with multiple jurisdictions.

We chose a limit of 2.5 million because OMB generally designates a Metropolitan Division within a "core-based statistical area" that has a core of at least 2.5 million people. This well-established OMB designation is a logical threshold for a community with sufficient interaction among multiple jurisdictions.

Rural District: 100,000

Rural communities may cover more land mass, but they will be less densely populated.

We propose to define a "Rural District" as a contiguous area with a majority of its population in rural census blocks and a total population of up to 100,000.

I understand that USDA breaks down Rural Districts into smaller areas. They define "rural" as a community with 50,000 people in order to focus their grants on truly rural areas.

But while a limit of 50,000 may fit another agency's limited purpose, our purpose here is to facilitate the chartering of safe and sound credit unions.

So I believe our proposed limit of 100,000 represents an appropriate balance. It would ensure that a Rural District's population is fairly small, yet still large enough to support a full-service credit union.

And in especially remote areas, I believe this definition would help credit unions serve a good number of future members in Rural Districts that currently have few financial services options.

Grandfather Provisions

Some community charters granted in the past would not meet the proposed criteria.

We are proposing that, if another credit union has the ability to serve a particular community, they should be allowed to apply for it – even if the community does not meet our new standard.

We are proposing this because we have concluded that no credit union should have a permanent monopoly on a field of membership.

Ability to Serve

However, this does not mean approval will be automatic.

Each credit union, whether applying under the old standard or the new, will still need to demonstrate their ability to serve the community. They must do so by completing Business and Marketing Plans.

The proposed rule provides additional guidance on what we expect in these plans.

The plans must demonstrate, in detail:

- How the credit union will serve the entire community;
- Unique needs of the community's demographic groups;
- Marketing strategies to reach each group – particularly the underserved;
- Partnership efforts with community-based organizations;
- And increasing budget dollars dedicated to reaching new members.

In addition, after a community charter has been approved, each year – for 3 years – an NCUA Regional Office will verify that the Business and Marketing Plans are being followed.

For all the right reasons, today's proposed rule would dramatically improve the future process for credit unions to apply for community charters – and improve the standards for NCUA to evaluate them.

- Rather than trying to satisfy subjective criteria, credit unions could focus on how to satisfy new potential members.
- Rather than trying to evaluate whether a community exists, NCUA could focus on evaluating the credit union's ability to serve that community.

And in the process, this proposed rule would save credit unions – and NCUA – time and money.

I thank the staff for all their outstanding work in making these improvements. I strongly support this proposed rule.