

# NCUA-IR - 82-6 CORPORATE FEDERAL CREDIT UNION CHARTERING GUIDELINES 09/82

NATIONAL CREDIT UNION ADMINISTRATION WASHINGTON, D.C.  
20456

## TITLE 12 -- Banks and Banking

### Chapter VII -- NATIONAL CREDIT UNION ADMINISTRATION

#### Interpretive Ruling and Policy Statement

#### CORPORATE FEDERAL CREDIT UNION CHARTERING GUIDELINES

AGENCY: National Credit Union Administration (NCUA)

ACTION: Statement of Interpretation and Policy

SUMMARY: The purpose of this policy is to establish the process that must be followed by a proposed corporate credit union seeking a Federal charter. In addition, the guidelines also establish the review and approval process of the charter application by the National Credit Union Administration.

EFFECTIVE DATE: September 23, 1982

ADDRESS: National Credit Union Administration, 1776 G Street, N.W.,  
Washington, D.C.

FOR FURTHER INFORMATION CONTACT: Nicholas Veghts, Department of  
Supervision and Examination, Telephone: (202) 357-1065.

#### SUPPLEMENTAL INFORMATION

On July 14, 1982, the proposed Corporate Federal Credit Union Chartering Guidelines were published in the Federal Register (47 FR 30670 and 30671) for public comment. The chartering guidelines established the process the proposed CFCU must follow in order to demonstrate that it has the capabilities to be a financially and operationally sound institution from its reception. The guidelines also establish the review process of the National Credit Union Administration on this type of charter application.

#### COMMENTS

All commenters were supportive of the proposed chartering guidelines for corporate Federal credit unions. Several commenters stated that the information being requested from the proposed CFCU during the chartering process will adequately allow NCUA to evaluate the viability of the proposed corporate credit union.

One commenter recommended that added emphasis needs to be placed upon the necessity for the application to include a detailed analysis of the proposed CFCU's investment strategy. The NCUA Board agrees that investment strategy is important for CFCUs. This is why the guidelines require the proposed CFCU to provide

assumptions to support its financial development and to submit its planned policies and procedures in the area of investments. In addition, one of the objectives of the on-site review process is to evaluate the information provided by the CFCU which would include an evaluation of the proposed CFCUs investment philosophy and strategy. The NCUA Board believes that the information requested in the charter application and the established review process will be sufficient to evaluate this area, and, therefore, does not believe additional information needs to be requested.

Four commenters agreed that final authority on approval or disapproval of a CFCU should remain with the NCUA Board. Two of the commenters stated that the formation of a new CFCU is a national issue because of the interdependency of the existing corporate central network. The other two commenters believed that the NCUA Board should have final authority on granting a CFCU charter since the success or failure of a CFCU has such a far-reaching impact because a CFCU is a credit union's credit union.

In addition to requesting comments on the chartering guidelines, the NCUA Board also solicited public comment on some other questions concerning corporate credit unions.

1. Should there be a limitation on the number of corporate credit unions that are chartered?

Six commenters indicated that there should not be a limit on the number of CFCUs that are chartered. Two commenters further stated that if there is a need for service and it is not being provided by the existing CFCUs then a charter should be granted if the CFCU can demonstrate that it has the capability to become a viable institution.

2. Should a corporate charter be granted to a group which already has corporate service available?

Several commenters stated that they had no objection to granting a charter to a group that already had corporate credit union service available provided the need existed for service because the existing corporate credit union was not providing adequate service. Two commenters stated that competition is good and that credit unions would possibly have available services that would not otherwise be offered. Four commenters stated that competition among corporate credit unions is not always best because the creation of more corporate credit unions will transform large corporates into many smaller ones. They believe the smaller corporate credit unions will encounter difficulty it competing with other financial institutions, offering services at reasonable costs and being able to build a strong equity base.

3. If overlapping fields of membership are permitted, how should the competitive impact on existing corporates be determined and reviewed?

Two commenters recommend that NCUA should develop a procedure whereby information on the proposed corporate credit union is made available and existing corporate credit unions are given the opportunity to comment upon the issuance of a new corporate charter. Another commenter believed that the impact on existing corporates could be determined from the information obtained during the chartering process for the proposed corporate credit union.

4. Should minimum values be established for numbers of members or asset base of potential members before a charter is granted?

Four commenters believe that there is no need for establishing values. Two of the four further stated that the chartering guidelines will provide the information necessary to determine the viability of the proposed CFCU and its ability to meet the needs of its members. One commenter stated that it believed a CFCU must have the capability of assets reaching \$100 million in order to survive and be a competitive economic entity.

The NCUA Board has reviewed the comments to the questions and has concluded that compliance with the chartering guidelines, as presented, will ensure that a proposed corporate credit union will be in a position to begin operation on a sound basis and be able to meet the needs of its members. Therefore, at this time the NCUA Board believes that further changes to the Corporate Federal Credit Union Chartering Guidelines are not necessary.

NCUA expects to receive no more than nine applications per year. Therefore, in accordance with 44 USC 3506(c)(5), this application guideline was not subject to requirements of 44 USC 3507 of the Paperwork Reduction Act.

## IRPS 82-6

### CORPORATE FEDERAL CREDIT UNION CHARTERING GUIDELINES

I. When submitting a charter application, the proposed corporate credit union is responsible for providing information that details economic feasibility, operational plans for the initial 3 years of operation, and management ability. In this regard the NCUA Board will look for the following types of information:

A. Demonstration of economic feasibility of the proposed corporate credit union by such means as:

(1) Commitments from the proposed membership that will participate actively in the operation, including a list of subscribers and the amount of shares pledged;

(2) Development of pro forma balance sheets for the first 3 years of operation, including the assumptions to support the corporate credit union's economic development;

(3) Development of a detailed operating budget for the first year of operation, including the assumptions to support the corporate credit union's financial development; and

(4) Review of local and national economic factors that will impact on the proposed membership and the development of the corporate credit union.

B. Description of the operational plans of the proposed corporate credit union for the first 3 years of operation by explaining such things as:

(1) The types of members who will be served;

(2) The services to be offered to the membership;

(3) How the services will be provided to the membership (location, staff, computer, etc.);

(4) The policies and procedures for all phases of operation, (membership, lending, investments, borrowing, budgetary process, safeguarding of assets, etc.); and,

(5) The phase-in plans to begin operation once the charter has been granted.

C. Demonstration of ability of the proposed management and officials to operate and control the affairs of the proposed corporate credit union through such means as evaluation of:

(1) Financial institution and/or business experience; and,

(2) Duties and responsibilities in the proposed corporate Federal credit union.

II. The charter application and the information described in part I will then be forwarded to the appropriate regional office of the National Credit Union Administration for review. After the initial review by the regional office, an on-site meeting will be arranged by the regional office to review the charter application with the proposed officials and management. The main purpose of the meeting is to evaluate the adequacy of the information provided in the charter application and to discuss the proposed corporate credit union's plans to begin operation should the charter be approved.

III. At the completion of the regional office review, the proposed corporate credit union will be informed by letter that either the charter application has been forwarded to the National Credit Union Administration Board (NCUA Board) for appropriate action or that the application cannot be forwarded until specific items are addressed and resolved.

ROSEMARY BRADY  
Secretary of the Board