

August 6, 2012

Mr. Fred Becker, President and CEO
National Association of Federal Credit Unions
3138 10th Street North
Arlington, VA 22201-2149

Re: Video-Teller Machine.

Dear Mr. Becker:

Thank you for your letter, dated June 6, 2012, in which you asked NCUA Chairman Debbie Matz to permit a video-teller machine to serve as a “service facility,” as that term is used in NCUA’s Chartering and Field of Membership Manual (Chartering Manual). 12 C.F.R. Part 701, Appendix B; Interpretative Ruling and Policy Statement (IRPS) 08-2, as amended by IRPS 10-1. Chairman Matz has asked me to respond to you. As discussed more fully below, we believe a video-teller machine meeting the following criteria qualifies as a service facility under the Chartering Manual.

In your letter, you stated that advances in computer technology, digital communications, and delivery of electronic financial services, including video-teller machines, allows federal credit unions (FCUs) to provide enhanced and more cost-effective services to their members. You suggest this enables FCUs to remain competitive in the marketplace. You also suggest that NCUA should take this into account when interpreting the law and in our supervisory programs.

In light of these technological developments, NCUA agrees that a video-teller machine, as described below, may serve as a service facility in the context of both select group additions and underserved areas. This interpretation is consistent with the FCU Act and NCUA’s Chartering Manual and will enable FCUs to better serve their members.

Definition of Video-Teller Machine

For purposes of this letter and to comply with the definition of “service facility” as contemplated by the FCU Act and the Chartering Manual, a video-teller machine is an electronic system that:

- Provides real-time, face-to-face video access to live tellers at regularly scheduled weekly hours;
- Uses credit union employees or local shared branch employees as the tellers appearing on the screen;

- Allows a member to conduct all the transactions he/she could if visiting a service facility of another sort permitted by the FCU Act and Chartering Manual; and
- Is in a physical location within an underserved area or a physical location in reasonable proximity to the group being served for group additions. This criterion is explained in more detail below.

Select Group Additions

The FCU Act permits a multiple common bond FCU to add a select group to its field of membership (FOM) if the FCU is within reasonable proximity to the location of the group and if, among other factors, the formation of a separate credit union is not practicable. 12 U.S.C. 1759(f)(1)(B). An FCU may only add groups that are “within reasonable geographic proximity” of the FCU, defined as “within the service area” of a service facility of the FCU. Chartering Manual Chapter 2.IV.A.1. Service area is defined as “[t]he area that can reasonably be served by the service facilities accessible to the groups within the field of membership.” Chartering Manual Glossary.

Underserved Area Additions

The FCU Act allows a multiple common bond FCU to add an underserved area to its FOM, provided the FCU establishes and maintains an “office or facility” in the area. 12 U.S.C. 1759(c)(2). The Chartering Manual requires the FCU to establish within two years, and maintain, an “office or service facility in the area.” Chartering Manual Chapter 3.III.F.

Definitions of Service Facility

As highlighted above, the Chartering Manual defines “service facility” differently for additions of select groups than for additions of underserved areas.

For group additions, FCU-owned electronic facilities that accept deposits, take loan applications, or disburse loans are service facilities. Chartering Manual, Chapter IV.A.1. Credit union-owned branches, mobile branches, and offices operated on a regularly scheduled weekly basis also meet the criteria for service facilities. Finally, interests in shared branching networks and automated teller machines (ATMs) also meet the criteria for service facilities for group additions. Id. A website is not a service facility, however. Id. A video-teller machine is a service facility because a video-teller machine provides the services required by the Chartering Manual.

For underserved areas, the definition of “service facility” is more limited and allows fewer kinds of facilities to qualify as a service facility as contemplated by the Chartering Manual. More specifically, for underserved areas, a service facility includes credit union-owned electronic facilities that take deposits, accept loan applications, and disburse loans. Credit union branches, shared branches, mobile branches, and offices operated on a regularly scheduled weekly basis also meet the criteria for a service facility in an underserved area. Id. An interest in a shared branching network, ATMs, and websites do not meet the criteria for a service facility in an underserved area. Id.

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These more stringent requirements in underserved areas are designed to ensure a higher degree of FCU presence in the area because, by its very nature, an underserved area has a higher concentration of members with greater needs. Although an ATM does not qualify as a service facility for underserved areas, we believe a video-teller machine, as defined above, satisfies other aspects of the current definition of "service facility."

Accordingly, a video-teller machine is a service facility for both underserved areas and group additions. This opinion does not change the definition of service facility or affect previous opinions NCUA has issued in this regard. Rather, this simply clarifies NCUA's interpretation of the service facility portions of the Chartering Manual. Please contact Staff Attorney Elizabeth Wirick or me with any questions.

Sincerely,

Frank Kressman
Associate General Counsel