

# NCUA LETTER TO FEDERAL CREDIT UNIONS

NATIONAL CREDIT UNION ADMINISTRATION  
1775 DUKE STREET, ALEXANDRIA, VA 22314

**DATE: DECEMBER 6, 1996**

**LETTER NO.: 96-FCU-4**

TO ALL FEDERAL CREDIT UNIONS:

We would like to talk to you about some of the steps NCUA is taking to deal with the problems resulting from the D.C. District Court's Order on December 4, 1996, voiding the interim final rule (IRPS 96-2) adopted by the NCUA Board on November 14, 1996.

On or about December 10, 1996, NCUA will file a motion in the U.S. Court of Appeals in Washington, D.C., seeking a stay (temporary suspension) of the District Court's earlier orders overturning NCUA's multiple group chartering policies. If we succeed, the stay would allow credit unions to once again add new members under IRPS 94-1 while the ATTF appeal process continues. The Supreme Court was asked, on November 26, 1996, to consider reviewing the case. We remain confident in the merits of our case.

Given the reverses NCUA and credit unions have suffered in the District Court, we believe that the best way to gain relief is to pursue a stay with the Court of Appeals. Because of this, it is unlikely that NCUA will attempt to promulgate any new regulations with regard to field of membership issues before year-end. We believe that it will take that long to get a ruling from the appellate court on our request for a stay.

While this appeal is pending, NCUA will continue to work on other remedies -- judicial, regulatory, and legislative -- to assure the safety and soundness of the credit union movement and continued financial services to credit union members.

The immediate impact of the District Court's ruling voiding IRPS 96-2 is as follows:

- All charter conversions approved utilizing IRPS 96-2 policies were declared illegal and in violation of the October 25, 1996 injunction.
- FCUs are prohibited from accepting new members from field of membership expansions processed pursuant to IRPS 96-2.
- There is no requirement to divest any new members added during the period IRPS 96-2 was effective.
- FCUs affected by the Court Orders can now only admit new members from their core common bond group. At present, the core common bond group will continue to be defined as set forth in Letter 96-FCU-3.

We realize you will have numerous questions as a result of the Court's Order voiding IRPS 96-2. You are advised to contact the regional offices for further information regarding any field of membership issue. Generally, any expansion of the field of membership by an occupational or associational credit union, including mergers, must meet the single common bond requirement. Emergency mergers are not affected by this prohibition.

NCUA will continue to explore every avenue in an effort to provide credit union service to all eligible

groups and to continue to fulfill its statutory mandate of a safe and sound credit union system.

Sincerely,  
NCUA BOARD