In an effort to encourage credit unions to expand service to underserved areas, the NCUA Board has approved more flexible policies to make expansion into underserved areas less burdensome. There are numerous benefits to be gained by expansion into underserved areas, such as diversification of membership and increased lending opportunities. The attached appendix provides more guidance about expanding into underserved areas.

IRPS 99-1, as amended by IRPS 00-1, permits any federal credit union to include an underserved area in its field of membership regardless of size, location, or charter type. In addition, the Credit Union Membership Access Act (CUMAA) expanded the ability of credit unions to bring credit union service to underserved areas by expanding the definition of underserved area and allowing credit unions to add underserved areas to their field of membership.

The addition of an underserved area to a credit union’s field of membership does not change the basic nature of the credit union’s charter. For example, if a multiple common bond credit union adds an underserved area, it would still remain a multiple common bond credit union.

If you require additional information, I encourage you to contact your regional office.

/s/
Dennis Dollar
Acting Chairman
National Credit Union Administration Board

Enclosure
APPENDIX

What is an underserved area?

The Federal Credit Union Act defines an underserved area as a local community, neighborhood, or rural district that is an “investment area” as defined in Section 103(16) of the Community Development Banking and Financial Institutions Act of 1994.

As defined by the aforementioned Act, an investment area may include any of the following:

- An area encompassed or located in an Empowerment Zone or Enterprise Community designated under section 1391 of the Internal Revenue Code of 1996 (26 U.S.C. 1391);
- An area where the percentage of population living in poverty is at least 20 percent;
- An area in a Metropolitan Area where the median family income is at or below 80 percent of the Metropolitan Area median family income or the national Metropolitan Area median family income, whichever is greater;
- An area located outside of the Metropolitan Area where the median family income is at or below 80 percent of the statewide non-Metropolitan Area median family income or the national non-Metropolitan Area median family income, whichever is greater;
- An area where the unemployment rate is at least 1.5 times the national average;
- An area where the percentage of occupied distressed housing (as indicated by lack of complete plumbing and occupancy of more than one person per room) is at least 20 percent; or
- An area located outside of a Metropolitan Area with a county population loss between 1980 and 1990 of at least 10 percent.

What geographic boundaries must an underserved area meet?

Underserved areas must be based on a well-defined local community, neighborhood, or rural district. The boundaries of a community, neighborhood, or rural district must be clearly defined, e.g., a township, a city, a county, or a political subdivision thereof, or a census tract. A credit union’s charter defines the geographic boundaries of a community area, usually with north, south, east and west boundaries.
Do population limitations exist for credit unions expanding into underserved areas?

There are no population limitations for credit unions expanding into underserved areas, however, NCUA has a streamlined process for credit unions adding a single political jurisdiction with populations not exceeding 300,000, or multiple contiguous political jurisdictions with populations not exceeding 200,000. If the community meets the requirements for an underserved area and the area meets the aforementioned size limitations, then the credit union need not demonstrate common interests or interaction among the residents.

Underserved areas exceeding the aforementioned size limitations must adhere to documentation requirements outlined in Chapter 2, Section V.A.2 of NCUA’s Chartering and Field of Membership Manual.

Is the credit union required to have a business plan?

A credit union is required to have a business plan when requesting an underserved area expansion. A guideline for developing a business plan is at the end of this Appendix.

Is the credit union required to maintain a service facility in an underserved area?

If a credit union has a pre-existing office within close proximity to the underserved area(s), then it need not maintain an office or facility within the underserved area. The regional office will determine close proximity on a case-by-case basis, but the residents must have ready access to the credit union office and the distance from the underserved area must not impede the majority of the residents from transacting credit union business. A credit union that does not have an existing office within close proximity to the underserved area must implement a plan to establish and maintain an office or facility within two years of adding the underserved area to its field of membership.

What qualifies as a service facility?

A service facility is a place that accepts shares for members’ accounts, accepts loan applications, and disburses loans. This includes a credit union owned branch, a mobile branch, an office operated on a regularly scheduled weekly basis, or a credit union-owned electronic facility that meets, at a minimum, these requirements. A service facility also includes a shared branch if the credit union either owns directly or through a CUSO or similar organization at least a 5 percent interest in the facility, or the service facility is local to the credit union and the credit union is an authorized participant in the service center. A service facility does not include an ATM.
How do you access underserved area information on NCUA’s website?

NCUA’s website location is www.ncua.gov. Once you reach NCUA’s Home Page, click on “Serving the Underserved.” Then page down to Expanding into Investment Areas section and click on “Identifying Investment Areas.” This page will help you identify potential investment areas.

The information provided from the website is not all-inclusive and only provides a starting point in identifying potential underserved areas. Additional underserved areas or Enterprise Communities and Empowerment Zones (e.g., state or local) may also qualify as investment areas. The identified area’s boundaries must meet Chartering Manual requirements, as discussed previously in this Letter.

Where can you obtain additional information about providing credit union service to underserved areas?

Chapter 3, Section III, of NCUA’s Chartering and Field of Membership Manual provides additional detailed information about service to underserved communities.

What if the credit union does not have access to the Internet?

You should contact the division of insurance in your regional office.
Guidelines for Developing a Business Plan

Introduction

To help achieve the agency’s goals of encouraging expansion of field of memberships and to make quality credit union service available to all eligible persons, NCUA developed this guideline. The guideline is specific to field of membership expansion into investment areas.

Business plan

The business plan for adding an underserved area must be realistic, supportable, and include specific elements. These elements may be incorporated into the credit union’s overall business plan.

The following business plan is a guideline designed to be used in addition to supporting documentation required for underserved area expansion.

1. Overlapping fields of membership

Identify any newly chartered single or multiple common bond credit unions that have been in existence less than two years in the investment area. Your regional office can provide assistance in this area.

2. Goals for shares, loans, and members

What are the goals for shares, loans, and members? Use the following format to report these goals. The goals and corresponding assumptions should be included in the credit union’s overall business plan.

<table>
<thead>
<tr>
<th>Period</th>
<th>Amount of Shares</th>
<th>Amount of Loans</th>
<th>Number of Loans</th>
<th>Number of Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>6th month</td>
<td></td>
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</tr>
<tr>
<td>12th month</td>
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<tr>
<td>18th month</td>
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<td></td>
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</tr>
<tr>
<td>24th month</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3. **Financial services to be provided**

Identify in your business plan the proposed:

- Services available to the investment area,
- Time table to implement these services, and
- Terms for these services (as applicable).

If material, include additional staffing or service expenses that will be necessary to provide the services noted above. These expenses should also be included in the pro forma financial statements and business plan assumptions.

4. **How will the community be served?**

- Identify the credit and depository needs of the community (i.e., no financial services available, no credit unions in the area, high fees from available financial resources, high loan rates, etc.).
- Identify the credit union’s plans to serve those needs.

5. **Operating facilities**

Describe the operating facility\(^1\) that will be used to serve the underserved area and its location. In addition to the location of the facility, discuss the timeframe for its implementation and the anticipated financial impact on the credit union in terms of the need for additional employees and fixed assets, etc. A map, clearly marking the location of the current or proposed service facility serving the investment area, should be provided. All costs related to the service facility (i.e., building, leasing, staffing, etc.) must be included in the pro forma financial statements and business plan assumptions.

6. **Pro forma financial statements**

Provide detailed semiannual pro forma financial statements (balance sheet and income and expense projections) for the 1\(^{st}\) and 2\(^{nd}\) year, including assumptions.

7. **Financial statements**

Provide a copy of the credit union’s most recent month ending balance sheet, income statement, and summary of loan delinquency.

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\(^1\) If a credit union has a pre-existing office within close proximity to the underserved area(s), then it need not maintain an office or facility within the underserved area. The regional office will determine close proximity on a case-by-case basis, but the residents must have ready access to the credit union office and the distance from the underserved area must not impede the majority of the residents from transacting credit union business. A credit union that does not have an existing office within close proximity to the underserved area must implement a plan to establish and maintain an office or facility within two years of adding the underserved area to its field of membership.