

**GUIDANCE FOR PREPARING
REQUESTS TO SERVE A LOCAL COMMUNITY
USING THE NARRATIVE APPROACH**

SEPTEMBER 2018

Office of Credit Union Resources and Expansion

**Office of Credit Union Resources and Expansion
Requests to Serve a Local Community
Using the Narrative Approach**

BACKGROUND

On June 21, 2018, the NCUA Board approved a final rule providing federal credit unions with more flexibility when submitting an application for a community charter conversion or expansion.¹ Under the rule, federal credit unions now have the option to submit applications using a narrative, with sufficient supporting documentation, to establish the existence of a well-defined local community (WDLC). This rule became effective September 1, 2018.

The narrative approach is an additional option available to establish the presence of a WDLC. The NCUA's chartering policies continue to recognize single political jurisdiction (SPJs), or portions thereof, and core based statistical areas (CBSAs) (i.e., metropolitan and micropolitan statistical areas), or portions thereof provided that the population does not exceed 2.5 million people as local communities. Federal credit unions can also request a community the NCUA previously determined is a WDLC and, when applicable, areas meeting the requirements for being rural districts.

The narrative approach may allow a federal credit union to establish a WDLC for an area not otherwise qualifying as one of the presumptive communities discussed in the preceding paragraph. The Board provided this additional option in recognition that not all potential WDLCs align with the permissible presumptive communities.

Under the narrative approach, the conversion/expansion application must demonstrate the federal credit union has both:

- ✓ The ability to serve the requested community; and
- ✓ The intent to serve the entire community and all of its segments.

In addition, the larger the area both geographically and by population:

- ✓ The more difficult it will be to show an area is a WDLC.
- ✓ The more support the federal credit union needs to provide to show the area is a WDLC.

REVIEW

A community application based on the narrative approach must include evidence that clearly supports the proposed area qualifies as a WDLC. It is not necessary to provide excessive documentation. However, an applicant must provide the NCUA with sufficient information to support how the area's residents interact or share common interests.

¹ 83 FR 30289 (June 28, 2018).

Each community is unique and has a different fact pattern to support how it is a WDLC according to Appendix B to Part 701 – Charting and Field of Membership Manual (Chartering Manual). While fact patterns differ, in virtually all cases the most persuasive evidence supporting a WDLC usually comes from independent third-party sources.

Third Party Evidence

The third-party evidence includes, but is not limited to statistical evidence, studies, research papers, economic and other reports, and articles. Examples include:

- U.S. Census Bureau data;
- Federal government agencies;
- State government agencies;
- Local government offices;
- Area colleges, universities, businesses, community organizations, and local periodicals (i.e., journals, magazines, and newspapers).

Less Persuasive Types of Evidence

Applications often include evidence based on anecdotal knowledge and inference. However, the NCUA's experience indicates these forms of evidence are considerably less persuasive than information derived from third party sources.

Anecdotal knowledge of an area develops from familiar perceptions and observations, including those not necessarily based on provable facts. Anecdotal evidence consists of the federal credit union's observations and knowledge of the area based on staff members' experiences from living there for many years, in some cases their entire lives.

Inference offers a conclusion as evidence based on known facts to support the area is a WDLC. Generally, evidence by inference is not as persuasive as independent third party data because it offers a conclusion based on known facts that may or may not be correct for the area.

However, depending on the area, evidence by inference can be informative. Whether the evidence by inference is persuasive or not persuasive depends of the fact pattern for the proposed area.

NARRATIVE APPROACH – GENERAL CONCEPTS

Under the narrative approach, the community application must include documentation and provide specific details to support the requested action outlined in the narrative summary. It is the applicant's responsibility to demonstrate the relevance of the documentation provided in support of its request.

The most persuasive narrative applications will specifically explain and document how the community meets the standards of interaction or common interests. Less effective narrative

applications include a list of items and/or reference information without explaining why it is significant.

NARRATIVE APPROACH – SPECIFIC ELEMENTS

The Chartering Manual includes an appendix (Appendix 6) offering guidelines for applications submitted using a narrative approach to charter, expand, or convert to a community credit union. The appendix sets thirteen “Narrative Criteria to Identify a Well-Defined Local Community” and explains each criterion to help the federal credit union develop an effective and well-documented narrative to justify approval of its application.

Based on the NCUA’s experience, the thirteen criteria are generally the most compelling indicators to demonstrate common interests or interaction. Accordingly, the NCUA will consider the Supplemental Guidance section of this document when evaluating the presence of interaction or common interests among residents to establish that an area is a WDLC. Applicants are not limited to addressing just the thirteen criteria and can submit any other documentation or address other criteria supporting how the area qualifies as a WDLC.

An area subject to an application need not meet all of the narrative criteria to qualify as a WDLC. Rather, the totality of circumstances within the criteria a federal credit union elects to address must indicate a sufficient presence of common interests or interaction among the area’s residents.

Supplemental Guidance

1. Central Economic Hub

An economic hub is evident when one political jurisdiction (city or county) within a proposed local community has a relatively large percentage of the community’s population or is the primary location for employment. The application should identify the major employers and their locations within the proposed community.

Most Persuasive	At least 25 percent of the workers living in the proposed community commute to work in the central economic hub.
Persuasive	Over 15 percent of the workers living in the proposed community commute to work in the central economic hub.
Not Persuasive	Less than 15 percent of the workers living in the proposed community commute to work in the central economic hub.

The presence of a central economic hub provides significant opportunities for residents to interact or share common interests. It is the most persuasive criterion because a common employment center promotes other activities such as shopping, healthcare, and recreation while also serving as a focal point for major events and local media coverage.

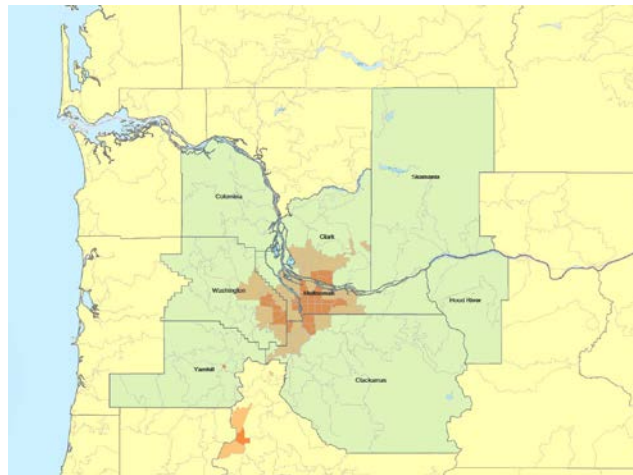
The Census Bureau, other federal agencies, other government entities, and private companies produce extensive data covering employment patterns. As an example, below is a link to the most recent available data providing workflow patterns between counties. This table shows commuting patterns for every county in the United States, including Puerto Rico.

<https://www.census.gov/data/tables/time-series/demo/commuting/commuting-flows.html>

This website can provide access to data that could support how place of work trends support a common dependence on a major employment hub as shown in the table below.

County Name	Total Workers Living In County	Work in Home County	%	Work in DEF County	%	Work Elsewhere	%
ABC	123,456	50,000	40.50%	60,000	48.60%	13,456	10.90%
DEF	789,101	705,000	89.34%	705,000	89.34%	84,101	10.66%
GHI	222,333	135,000	60.72%	85,000	38.23%	2,333	1.05%

The application can also provide maps to support the importance of an area’s hub. For example, credit unions can use a population density map as evidence showing a large percent of a community’s population live in the economic hub as shown below.



Other mapping ideas to support the area is a WDLC include employment density and commuting. An employment density map can show the concentrations of employment in the proposed community. A map showing a larger concentration of employment in the economic hub than outside is persuasive evidence.

Economic studies and reports are additional examples of sources of evidence supporting the presence of an economic hub.

2. Quasi-Governmental Agencies

The existence of organizations, such as economic development commissions, regional planning boards, and labor or transportation districts can be important factors to consider. The more closely their service area matches the entire area, the greater the showing of interaction or common interests.

Most Persuasive	The quasi-governmental agency covers the proposed community exclusively and in its entirety, derives its leadership from the area, represents collaboration that transcends traditional county boundaries, and has meaningful objectives that advance the residents’ common interests in economic development and/or improving quality of life.
Persuasive	The quasi-governmental agency substantially matches the proposed community and carries out objectives that affect the relevant common interests for the entire area’s residents.
Not Persuasive	The quasi-governmental agency does not match the proposed community and carries out only incidentally relevant objectives or carries out meaningful objectives in localized sections of the proposed community.

The most persuasive evidence for this criterion are examples that match the proposed community. Information about quasi-governmental entities is available through internet search

results, guides produced by local chambers of commerce, or evidence of projects sponsored by the entity within the area.

3. Governmental Designations

Designation of the proposed community by a government agency as a region or distinct district – such a regional transportation district, a water district, or a tourism district – is a factor that can support how an area is a local community. The more closely the designation matches the area’s geographic boundaries, the greater the value of that evidence in demonstrating interaction and/or common interests.

Most Persuasive	A division of a federal or state agency specifically designates the proposed service area as its area of coverage or as a target area for specific programs.
Persuasive	A division of a federal or state agency designates a regional area that includes the coverage area, but offers special programs tailored to the common interests shared by the residents of the proposed service area.
Not Persuasive	A division of a federal or state agency designates an area as a coverage area that encompasses several local communities.

The most persuasive evidence for this criterion are examples that match the proposed community. Examples of governmental designations include school councils, fire or police districts, and public transportation districts.

Information about governmental designations is available through internet searches of the respective federal, state, or municipality websites.

4. Shared Public Services/Facilities

The existence of shared services and facilities, such as police, fire protection, park districts, public transportation, airports, or public utilities, can demonstrate an area is a WDLC when their geographic areas substantially cover the proposed WDLC.

Most Persuasive	Statistical evidence documents how residents from the entire proposed service area mutually benefit from a public facility. Formal agreements exist that transcend traditional county lines and provide for a common need shared by all of the residents, such as common police or fire protection.
Persuasive	Public facilities exist that cross county lines and cover the majority of the area’s population, but do not cover the area in its entirety.
Not Persuasive	The applicant cites public facilities that serve areas that do not correlate with the proposed service area.

The most persuasive evidence for this criterion is statistical data or copies of the formal agreements between the public entities. Statistical data demonstrating interaction or common interests is also persuasive.

Qualitative factors also exist to support how an area is a WDLC, including:

- A fire district located entirely within the proposed community demonstrates a common dependency of the same entity for fire protection;
- The same electricity company serves the entire area; or
- A regional airport is the only major source for air travel within the proposed service area and the 100-mile radius immediately surrounding the area.

5. Hospitals and Major Medical Facilities

Data on medical facilities should include admittance or discharge statistics providing the ratio of use by residents of each political jurisdiction. The greater the percentage of use by residents throughout the proposed community, the higher the value of this data in showing interaction. The application can also support the importance of an area hospital with documentation that correlates the facility’s target area with the proposed local community and/or discusses the relative distribution of hospitals over a larger area.

Most Persuasive	The applicant provides statistics demonstrating residents from throughout the proposed community use hospitals in the major population or employment center.
Persuasive	Statistical data are not available, but the application demonstrates through other documentation a medical facility is the only viable option for a significant portion of the proposed community's residents.
Not Persuasive	The area has multiple health care facilities at geographically dispersed locations with duplicative services.

The most persuasive evidence for this criterion is statistical data supporting community interaction and common interests. You may obtain data from the medical facility itself or a third party research firm. Ideally, your application will include information about the number of patients that use a hospital and where the patients live. For example, if the proposed service area consists of three counties, statistical data demonstrating how a major hospital receives a high percentage of its patients from the three counties is most persuasive.

The hospital website or annual report may provide persuasive data if they list the hospital coverage area and where it draws its patients. If the coverage area is within the proposed community, it is persuasive data. If the coverage area includes areas outside of the proposed community, the information is not as persuasive.

In the absence of statistical data, some qualitative factors that could support how a medical facility promotes interaction or common interests include:

- The absence of other geographically close options available to residents for receiving similar medical care;
- The existence of a specialty health care provider attracting residents from throughout the proposed community due to unique expertise in treating a particular condition; or
- Evidence of efforts on the part of the health care facility to promote wellness throughout the area through health fairs, fundraising events, or educational initiatives.

6. Colleges and Universities

College enrollment data can be a useful factor in establishing a local community. The higher the percentages of student enrollment at a given campus by residents throughout each part of the community, the greater the value in showing interaction. Additionally, the greater the participation by the college in community initiatives (e.g., collaborating with local governments), and the greater the service area of these initiatives, the stronger the value of this factor.

Most Persuasive	The application provides statistical data showing the institutions of higher learning cited attract significant numbers of students from throughout the proposed community.
Persuasive	The statistical data regarding where students live is either inconclusive or unavailable. However, qualitative information exists to demonstrate the institutions' relevance to the entire proposed community, such as unique educational initiatives to support economic objectives benefiting all residents and/or partnerships with local businesses or high schools.
Not Persuasive	The statistical data tends to support the institutions recruit students from a broad based area transcending the proposed community's boundaries.

The most persuasive evidence for this criterion is statistical data showing interaction or common interests. For example, you may obtain information about the place of residence for students attending the area colleges and universities. It is most persuasive if an area college attracts a high percentage of its students from the local community.

Applications should address how a broad base of institutions of higher learning, including the area's colleges, universities, and technical or vocational schools, support how residents interact or share common interests. You may obtain data from the college and universities themselves or a third party.

In the absence of statistical data, some qualitative factors that could support how an educational institution promotes interaction or common interests include:

- A college or university sponsors college fairs or has partnerships with local high schools throughout the entire area;
- A college, university, or technical or vocational school invites employers from throughout the area to participate in job fairs;
- A vocational school travels throughout the area to offer prospective students exposure to career opportunities;
- A local institute of higher learning sponsors periodic alumni events that draws participants from throughout the area; or
- A university promotes local economic development by conducting studies to help local planners understand what the area needs to remain viable.

7. Mutual Aid Agreements

The existence of written agreements among law enforcement and fire protection agencies in the area to provide services across multiple jurisdictions can be an important factor.

Most Persuasive	The mutual aid agreements cover the proposed community exclusively and in its entirety, represents collaboration that transcends political boundaries such as city or county limits.
Persuasive	The mutual aid agreements substantially matches the proposed community.
Not Persuasive	The mutual aid agreements do not match the proposed community.

The most persuasive evidence for this criterion are copies of the mutual aid agreements. These types of arrangements may not be prevalent everywhere, since different parts of the country establish varied strategies for addressing public service needs.

You can find this data through internet searches of the respective municipality websites, contacting the service provider directly, or by relying upon community awareness.

8. Organizations and Clubs

The more closely the service area of an organization or club matches the boundaries of the proposed WDLC, and the greater the percentage of membership and services throughout the proposed community, the more relevant the data.

Most Persuasive	Statistical data supports that organizations with meaningful objectives serve the entire proposed community.
Persuasive	Other qualitative documentation exists to support that organizations with meaningful objectives serve the entire proposed community.
Not Persuasive	The applicant lists organizations that either do not cover the proposed community in its entirety or have objectives that are too limited to have a meaningful impact on the residents' common interests.

The most persuasive evidence for this criterion is statistical data showing interaction or common interests. For example, you may obtain information about the areas the organization's members represent or other data showing how the group allocates its resources to serve the area.

You may obtain data from the organizations and clubs or a third party research firm. In addition, some qualitative factors that could support how organizations and clubs promote interaction or common interests include:

- A faith-based organization conducts outreach programs throughout the area or has an assigned geographic coverage area matching the proposed local community;
- An advocacy group sponsors events in a central location and attracts volunteers from the entire area;
- A local business organization considers the area to be a unique market and participates in efforts to improve the business climate throughout the area; or

- Local business, government, and social services leaders from throughout the area form an organization to pool resources for addressing common needs, such as healthcare, community education, or other philanthropic activities.

9. Community Newspaper

A newspaper that is widely read in an area can be an indication of common interests. The higher the household penetration circulation figures throughout the area, the greater the value in showing common interests. Circulation data may include print copies as well as on-line access.

Most Persuasive	Statistical evidence indicates a significant portion of residents from throughout the proposed community read the local general interest newspaper. The paper has local stories focusing on the proposed community and has a marketing target area consistent with the proposed community boundaries.
Persuasive	Local newspapers and periodicals specifically cater to the proposed community.
Not Persuasive	The area lacks a general newspaper that covers the proposed community. There are no specialized publications catering to the entire proposed community.

The most persuasive evidence for this criterion is statistical data showing interaction or common interests. For example, you may obtain information about how an area newspaper draws a significant percentage of its subscribers from the proposed service area. You may obtain data from the newspaper or a third party research firm.

Qualitative factors demonstrating how an area newspaper supports interaction or common interests include:

- Companies from throughout the proposed service area place advertisements in the newspaper; or
- The newspaper has a local news section devoted to stories of interest to locations throughout the proposed service area.

10. Entertainment and Sporting Events

Data to show the percentage of residents from each political jurisdiction who attend the events. The higher the percentage of residents from throughout the proposed community, the stronger the evidence of interaction.

For sporting events, as well as some entertainment events, data on season ticket holders and memberships may be available. As with overall attendance figures, the higher the percentage of residents from throughout the proposed community, the stronger the evidence of interaction.

Most Persuasive	Statistical data exist to support that the venue attracts residents from throughout the proposed community.
Persuasive	Statistical evidence is not available, but other qualitative information documents the importance the venue has for the proposed community.
Not Persuasive	The applicant lists local venues without discussing where users originate from or otherwise documenting the relevance for the residents of the entire area.

The most persuasive evidence for this criterion is statistical data supporting interaction or common interests. For example, you may obtain the number of people, broken down by place of residence, attending an entertainment or sporting event. You may obtain data from the venue, team, or a third party research firm. Similar statistics from theaters, concerts, festivals, minor league teams, or other events that draw crowds of people into the area can also be persuasive.

Qualitative factors that could support how residents interact or share common interests include:

- A state fair includes exhibits from places throughout the proposed service area and draws participants from the entire local community;
- Local public schools establish regions or divisions covering the entire proposed service area to provide structure for sporting events or other types of competitions; or
- A coalition of local business and government leaders works collectively to ensure a major happening takes place within the proposed service area, such as a parade, marathon or similar event, celebration of a predominant local culture, or exhibition featuring technology achievements in the area.

11. Local Television and Radio Stations

A television or radio station broadcasting in an area can be an indication of common interests. Data on viewership or listenership in the proposed community can support the existence of a community.

Most Persuasive	Statistical evidence indicates a significant portion of residents from throughout the proposed community view or listen to the local television and radio stations. The media has local stories focusing on the proposed community and has a marketing target area consistent with the proposed community boundaries.
Persuasive	The television and radio stations provide news and sports coverage specifically catering to the proposed community.
Not Persuasive	The area lacks television or radio stations serving the proposed community.

The most persuasive evidence for this criterion is statistical data supporting community interaction and common interests. For example, you may obtain the number of viewers or listeners of the television or radio station or a third party research firm.

Qualitative data supporting interaction or common interests could include:

- Local stations sponsor events, such as those involving charitable objectives, having a positive impact on the entire proposed service area;
- Local stations identify the proposed service area as their coverage zone; or
- Local stations have news programs covering events happening throughout the area.

12. Shopping

The narrative must identify the location of the major shopping centers and malls and include the percentage of shoppers coming from each part of the community. The larger the percentage of shoppers from throughout the community, the stronger the case for interaction. The shopping venue’s target area should closely match the geographic boundaries of the proposed community.

Most Persuasive	The application provides statistics from a reliable third party source that demonstrates the major shopping facility cited in the application is the major shopping facility for the residents of the entire area.
Persuasive	The applicant provides documentation supporting how the area’s shopping facilities cluster within the area’s hub and residents do not have other realistic alternatives to meet their shopping needs.
Not Persuasive	The applicant lists large shopping facilities without providing statistics or other documentation that demonstrates relevance to the proposed community.

The most persuasive evidence for this criterion is statistical data demonstrating community interaction or common interests. For example, you may obtain the number of individuals shopping in the area from chambers of commerce, economic development agencies, shopping facilities, or a third party research firm. In addition, several major facilities track customers by collecting data from license plates observed in the parking lot. Moreover, many retailers collect zip code data from customers at the time of purchase.

Qualitative factors that could support how area residents interact or share common interests include:

- Several mall tenants belong to a local chamber of commerce covering the proposed service area; or
- Residents in outlying parts of the proposed community lack other viable options for shopping.

13. Geography

Some communities face varying degrees of geographic isolation. As such, mountain ranges, forests, national parks, deserts, bodies of waters, and other geographic features can limit travel to places outside the proposed WDLC. This factor, and the relative degree of isolation, may help bolster a finding of interaction or common interests.

Most Persuasive	Area is geographically isolated and/or distinct from immediate surrounding area.
Persuasive	Area has geographic commonalities that influence other aspects of the residents' lives (i.e., tourism, allocation of government resources).
Not Persuasive	The area's geographic features do not appear to influence other social or economic characteristics of the area.

Geographic Isolation persuasiveness depends entirely on the area. If unique factors exist, applications should include topographic maps showing the community area with the surrounding area.

SUMMARY:

The following summarizes the major points to consider when preparing a community application using the narrative approach to support a WDLC.

- Each area is unique and has different fact patterns to support whether or not it is a WDLC.
- The most persuasive and compelling evidence comes from independent third-party sources. At the other end of the spectrum, anecdotal evidence without any other support is the least persuasive.
- Evidence by inference is area specific and the level of persuasiveness depends upon the context.
- The area does not need to meet all thirteen criteria to qualify as a WDLC. However, the totality of circumstances needs to support interaction or common interests.
- The application needs to include the source (i.e. individual with phone number, email address, or website address) for all statements, information, or third-party evidence used in the narrative to support community interaction and/or common interests.
- The federal credit union is not limited to addressing just the thirteen criteria. It may also submit any other documentation or address other criteria not listed it believes are persuasive to support the area qualifies as a WDLC.
- For an applicant seeking to serve a community with a population exceeding 2.5 million people, the NCUA will publish a notice in the Federal Register and conduct a public hearing about the application. The NCUA will issue separate guidance on this process.