Open Board Meeting October 27, 2016

NCUA Board Chairman Rick Metsger
Statement on the Proposed Field-of-Membership Rule

Our adherence to the Administrative Procedure Act meant that there were several good ideas that we were unable to incorporate in the final field-of-membership rule the Board just adopted because they had not been put out for notice and comment and were not logical outgrowths of what we did put out for comment. Some of those good ideas came from my colleague, Mr. McWatters, some came from me, and others came from the 11,380 public comments we received or the many comments we received when meeting with stakeholders across the nation.

Because we could not include these concepts in our first final field-of-membership rule, we are proposing a new rule now to make three changes, and to ask stakeholders to comment on a number of alternative approaches to these three issues and a few other ideas that have been recommended.

Two of the three changes in this second proposed field-of-membership rule are substantive. The first increases the population cap for a well-defined local community from the current 2.5 million, to as much as 10 million, which is the size of the largest single political jurisdiction the Board has approved. This provides greater parity between well-defined local communities, based on a single political jurisdiction and ones based on a statistical area defined by the Office of Management and Budget, based on data from the U.S. Census Bureau. The new cap would also apply to additions of adjacent areas to fields of membership, based on either a single political jurisdiction or a statistical area.

The second substantive change allows the use of the narrative approach just approved for adding adjacent areas to a field of membership based on a single political jurisdiction or a statistical area, to create a new well-defined local community. The vast majority of credit unions seeking a community charter, based on a well-defined local community are likely to follow the simpler approach of using a presumptive community—that is—a single political jurisdiction or a statistical area.

Nonetheless, some credit unions may determine that their natural community can't be defined by political lines that were often drawn centuries ago, or that do not coincide with the statistical areas defined by the Office of Management and Budget, and based on Census Bureau data. This provides these credit unions with another option. In order to use it, they must document why the area meets the standard for a well-defined local community.

The third change, which is not really substantive, corrects a drafting error in the first field-of-membership rule that the Administrative Procedure Act prevented us from

correcting in the final rule. The change creates parity between core-based and combined statistical areas by allowing an individual portion of a core-based statistical area to be used as a field of membership without regard to metropolitan division boundaries within the area. Under the rule we just adopted, this is already permitted in combined statistical areas.

Finally, the proposed rule asks a number of questions about alternative approaches to these three issues and other field-of-membership issues. I want to thank my colleague, Board Member McWatters, who proposed a number of these questions, as well as commenters on our first proposed rule who suggested others. I look forward to reviewing the comments we receive from the public on these questions and this proposed rule.

Because he was intimately involved in the drafting of many of these questions, I'll turn the floor over to my colleague, Mr. McWatters, to elaborate on these issues.