NATIONAL CREDIT UNION ADMINISTRATION

12 CFR Part 701

RIN 3133–AE31

Chartering and Field of Membership Manual

AGENCY: National Credit Union Administration (NCUA).

ACTION: Final rule.

SUMMARY: The NCUA Board is comprehensively amending its chartering and field of membership rules to maximize access to federal credit union services to the extent permitted by law, and to organize the rules in a more efficient framework. The amendments will implement changes in policy affecting: The definition of a local community, a rural district, and an underserved area; the chartering and expansion of a multiple common bond credit union; the expansion of a single common bond credit union that serves a trade, industry or profession; and the process for applying to charter, or to expand, a federal credit union.

DATES: The effective date of this final rule is February 6, 2017.

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I. Background

NCUA's Chartering and Field of Membership Manual, incorporated as Appendix B to part 701 of its regulations (''Chartering Manual''),[1] implements the field of membership (''FOM'') requirements and limitations established by the Federal Credit Union Act (''the Act'') for federal credit unions (each an ''FCU'').[2] As amended by the Credit Union Membership Access Act of 1998 (''CUMAA''), the Act provides a choice among three charter types: a single common bond consisting of a group whose members all share the same occupational or associational common bond;[3] a multiple common bond in which each group has a distinct occupational or associational common bond among its own members;[4] and a community common bond among persons or organizations within a well-defined local community, neighborhood, or a rural district.[5]

To facilitate consumer access to credit unions and to enhance their delivery of services as the Act contemplates, the Board periodically modifies and updates the Chartering Manual to advance certain objectives. Among these are relief from undue burdens and restrictions on an FCU's ability to provide services to consumers who are eligible for FCU membership, especially to benefit those of modest means; enhancement of the menu of strategic options for FOM expansions; and maximization of competitive parity between federal and state charters to the extent allowed by law, while respecting the national system of dual chartering. To serve those objectives, the Board published a proposed rule in December 2015 requesting public comment on fifteen substantive modifications to the rules affecting each of the three FOM types that the Act authorizes.[6]

As explained below, this final rule will implement proposed modifications to the rule affecting: The definition of a local community, a rural district, and an underserved area; the expansion of a multiple common bond credit union; the expansion of a single common bond credit union that serves a trade, industry or profession; and the type and extent of information that must be submitted to support an application to charter or expand an FCU's FOM.

II. Summary of Comments on Proposed Rule

NCUA received approximately 11,380 comments on the proposed rule: 31 from national and regional credit union trade associations and leagues; 99 from individual FCUs; 14 from federally-insured state-chartered credit unions; 8291 from individual credit union members; 14 from national and regional bank trade associations; 6 from individual banks; 2925 from individual bank customers; and 6 from other commenters.[7] The commenters generally supported the proposed rule by a ratio of approximately 3 to 1, mostly without reference to a specific proposal and without suggesting alternatives or modifications.

A. Community Common Bond

The Act limits membership in a community credit union to ''[p]ersons or organizations within a well-defined local community, neighborhood, or rural district,''[8] directing the Board to establish criteria defining those terms for purposes of ''making any determination'' regarding such a credit union,[9] and to establish applicable criteria for any such determination.[10] The Act does not impose for any of the three community categories a maximum limitation on population or geographic size, thus supporting the Board's observation that ''there is no statutory requirement or economic rationale that compels the Board to charter only the smallest [well-defined local community] in a particular area.''[11]

To qualify as a well-defined local community (''WDLC'') or as a rural district, the Board requires a proposed area to have ''specific geographic boundaries,''[12] and for residents within those boundaries to interact or share common interests that signify a cohesive community. Since 2010, the Board has offered two ''presumptive community'' options that by definition meet the statutory criteria of a WDLC. Each is based on uniform, objective geographic units. One is a ''Single Political Jurisdiction . . . or any individual portion thereof'' (each an ''SPJ''), regardless of population.[13] The other is a single Core Based Statistical Area (''CBSA'' or ''a statistical area,'' or a portion thereof) as designated by the U.S. Census Bureau (''Census''), or a Metropolitan Division within a CBSA, subject in either case to a 2.5 million population limit.[14]

1. ''*Core Based Statistical Area*'' *Population Limit.* The existing 2.5 million population limit that applies to a community consisting of a CBSA, or a Metropolitan Division or other portion within, conforms to the population threshold by which the Office of Management and Budget (''OMB'') designates Metropolitan Divisions

[1] Appendix B to 12 CFR part 701 (''Appendix B'').
[2] 12 U.S.C. 1759.
[3] *Id.* § 1759(b)(1).
[4] *Id.* § 1759(b)(2)(A).
[5] *Id.* § 1759(b)(3).
[6] 80 FR 76748 (December 10, 2015).
[7] Among credit union- and bank-affiliated commenters combined, 98 percent of the 11,380 comments consisted of form letters, with minimal original content and often submitted by a third party vendor on the commenter's behalf.
[8] 12 U.S.C. 1759(b).
[9] *Id.* § 1759(g)(1)(A).
[10] *Id.* § 1759(g)(1)(B).
[11] 74 FR 68722, 68725 (Dec. 29, 2009).
[12] Appendix B, Ch. 2, § V.A.2.
[13] Appendix B, Ch. 2, § V.A.2.
[14] Appendix B, Ch. 2, § V.A.2. According to the Census, ''the term 'core-based statistical area' became effective in 2003 and refers collectively to metropolitan statistical areas and micropolitan statistical areas.'' *https://www.census.gov/geo/reference/gtc/gtc_cbsa.html#md.*

within a CBSA.[15] The proposed rule retained the 2.5 million limit, but solicited public comment on whether to adjust it, to what amount, and for what specific reasons.

The vast majority of commenters urged the Board to eliminate the population cap on statistical areas altogether because the Act does not mandate it. They maintained that an area's population is unrelated to what should be the paramount considerations in identifying a local community, namely, interaction or common interests among residents, and the FCU's ability and commitment to serve the area. The commenters also contended that, by imposing a population limit, the Board is substituting its judgment for Census data, by which CBSAs are designated without regard to population, and that population alone is not a source of undue risk to an FCU or to the National Credit Union Share Insurance Fund (''the Insurance Fund''). Finally, some commenters protested that a population cap on statistical areas puts FCUs at a competitive disadvantage compared to communities consisting of an SPJ, which are not limited by population.

Some commenters advocated increasing the present cap from 2.5 million to between 3.5 million and as much as 5 million, respectively, to ensure the long-term growth and viability of FCUs in general. Others urged increasing the population limit to match that of the most populous SPJ the Board has approved (Los Angeles County, CA, at 10 million), or that of the nation's most populous Metropolitan Statistical Area (New York-Newark-Jersey City, NY-NJ-PA Metro Area at 20 million). One commenter recommended linking the population limit to an appropriate index that would trigger periodic reevaluation and possible adjustment of the existing limit.

In contrast, dozens of commenters criticized the existing 2.5 million cap as being too high, urging that it be reduced. One insisted that the 2.5 million cap is not a credible ''indicator of common, close-knit interaction.'' Another predicted that an area as populous as 10 million could qualify as a local community as long as its residents ''interact in some way . . . within lines drawn by NCUA.'' Yet another criticized the Board for implying that the existing 2.5 million cap is too low only by comparison to the most populous SPJs the Board has approved (*e.g.,* Los Angeles County, CA, and Harris County, TX).

The Board finds considerable merit in commenters' suggestions to eliminate the population cap, increase the present population cap to a given amount, tie the cap to the population of a certain geographic unit, or administer any cap according to a framework of oversight and internal controls. Out of concern that the public should have notice and an opportunity to address such recommendations, as the Administrative Procedure Act requires,[16] the Board has decided to make no change to the existing 2.5 million population cap at this time. Instead, the Board will issue a proposal soliciting public comment on alternatives to modify the cap, and an alternative to the ''presumptive community'' options to form a WDLC.

2. ''*Core Area*'' *Service Requirement.* Since 2010, the Board has required a community consisting of a portion of a CBSA to include the CBSA's ''core area,'' [17] defined in practice as the most populated county or named municipality in a CBSA's title. The Act itself does not mandate any such requirement for a community. The proposed rule repealed the ''core area'' service requirement in favor of relying on NCUA's practice of annually reviewing an FCU's business and marketing plans, for the first three years following approval of a community charter expansion or conversion, to assess whether the credit union is adequately serving the intended beneficiaries of the requirement—namely low-income and underserved populations within an original or an expanded community.[18]

The majority of commenters favored repeal of the ''core area'' service requirement, primarily because it is not mandated by the Act and thus unnecessarily imposes an additional constraint on who credit unions can serve. They further speculated that relief from an obligation to serve a ''core area'' will give FCUs the flexibility to adapt to the specific area each initially is able to reasonably and safely serve, allowing it to establish and maintain a ''marketplace footprint'' there. Other commenters criticized the ''core area'' service requirement for dividing an otherwise viable community or excluding portions that would enhance its viability; for causing an FCU to sacrifice service to other areas within the chosen portion of a CBSA; and as a disincentive to serve populated urban areas due to the additional cost and resources of serving a ''core area.''

A few commenters suggested alternatives in lieu of applying a ''core area'' service requirement to a portion of a CBSA. One is to permit an FCU to develop a presence, reputation and services to enable it to later expand into the ''core area'' of a CBSA. The other is to defer to the National Federation of Community Development Credit Unions and to the Community Development Financial Institutions Fund regarding how best to identify and to provide service to low-income and underserved populations.[19]

In contrast, bank-affiliated commenters generally favored retaining the ''core area'' service requirement. One predicted that its absence would effectively permit ''redlining'' through formation of a community primarily consisting of wealthier areas within a CBSA, while excluding areas where low-income and minority populations are concentrated. Another urged the Board to retain the ''core area'' service requirement given that, unless expressly required by state law, credit unions typically are not subject to the Community Reinvestment Act, which requires financial institutions *other than credit unions* to publicly document service to people of modest means.[20]

What critics of repealing the ''core area'' service requirement overlook is that NCUA has in place a supervisory process to assess management's efforts to offer service to the entire community an FCU seeks to serve. NCUA holds credit union management accountable for the results of an annual evaluation that encompasses a community FCU's implementation of its business and marketing plans,[21] extending for three years after the credit union either is chartered, converts or expands. Experience confirms that the agency's evaluations are a more effective means of ensuring that the low-income and underserved populations are fairly served compared to the rest of the community, in contrast to a requirement forcing a credit union to serve the ''core area'' of the portion of a CBSA that comprises its community. The Board considered extending this review period to five years, but has declined to do so,

[15] *https://www.whitehouse.gov/sites/default/files/omb/bulletins/2015/15-01.pdf* (at page 62).

[16] 5 U.S.C. 553(c).

[17] 75 FR 36257, 36260 (June 25, 2010).

[18] 80 FR at 76749.

[19] For Underserved Area purposes, the Act, at 12 U.S.C. 1759(c)(2)(A)(i), relies on the Community Development Banking and Financial Institutions Act, *id.* § 4702(16)(A), to define an ''investment area,'' which, among other things, can consist of an ''empowerment zone'' or ''enterprise community'' as defined by 26 U.S.C. 1391.

[20] 12 U.S.C. 2902(2)

[21] The results of an annual evaluation of an FCU's implementation of its business and marketing plans typically would be reflected in the ''findings'' or ''overview'' sections of an examination report, or in a ''Document of Resolution'' issued following an examination.

believing that three years is sufficient time to gauge a credit union's commitment to serve an original or expanded area, and that the additional two years of projections would be too stale to be probative.

Another relevant part of the supervisory process is the agency's mandate to consider member complaints alleging discriminatory practices affecting low-income and underserved populations, such as redlining, and to respond as necessary when such practices are shown to exist.

Having considered the comments addressing repeal of the ''core area'' service requirement, and because it is not a requirement mandated by the Act, the Board has decided to repeal it in view of credit unions' success in providing financial services to low-income and underserved populations without regard to where they are located within a community, *i.e.,* beyond its ''core area.'' This assessment is based on the periodic evaluations, overseen or conducted by the Office of Consumer Protection since 2010, of FCUs' implementation of their business and marketing plans.[22] In place of the ''core area'' service requirement, the final rule requires NCUA to continue these evaluations to ensure fair and adequate service to the low-income and underserved populations within a community consisting of a portion of a CBSA.

3. *Population Limit as Applied to a Portion of a ''Core Based Statistical Area''.* The existing rule disqualifies a *portion* of a CBSA as a WDLC when the population of the CBSA *as a whole* exceeds the 2.5 million population cap, even when the population of the portion *by itself* does not exceed that limit—an unintended consequence.[23] To correct this oversight, the proposed rule modified the ''statistical area'' definition to specify that in the case of a community consisting of a portion of either a CBSA or a Metropolitan Division within, the portion *by itself* must have a population of 2.5 million or fewer, regardless whether the CBSA or Metropolitan Division *as a whole* exceeds the limit.

The majority of commenters supported this technical remedy in order to prevent the unintended disqualification of a portion of a CBSA that falls within the population cap solely because the CBSA as a whole exceeds it. In that event, an FCU would have no recourse but to serve an area smaller than the portion it seeks to serve (*e.g.,* an SPJ consisting of a city or town). Although many commenters opposed the existing 2.5 million population cap as excessive, none opposed this proposal to narrowly apply the cap exclusively to the portion of a CBSA that an FCU designates as its community.

Having considered the comments addressing this proposal, the Board considers it an appropriate remedial initiative to limit to the population cap adopted in the final rule the portion of a CBSA a credit union seeks to serve.

4. *''Combined Statistical Area'' as a Well-Defined Local Community.* The existing rule designates two ''presumptive communities'' that by definition qualify as a WDLC—an SPJ regardless of population, and a CBSA subject to a 2.5 million population limit.[24] The proposed rule added a third ''presumptive community'': A Combined Statistical Area as designated by OMB,[25] subject to the same population limit. The 174 Combined Statistical Areas that OMB has designated each combine ''two or more adjacent CBSAs that have substantial employment interchange.''[26] As with any community an FCU seeks to serve, a Combined Statistical Area would be subject to NCUA's practice of periodically reviewing the FCU's implementation of its business and marketing plans to assess its capability of, and success in, serving its original or previously expanded community.

Scores of commenters supported the proposal to recognize Combined Statistical Areas as ''presumptive communities,'' concurring that OMB's approach in designating Combined Statistical Areas is consistent with NCUA's long-standing consideration of factors such as employment, commuting patterns and economic interaction to identify a WDLC. These commenters further contended that Combined Statistical Areas are appropriate ''presumptive communities'' according to social and economic integration among residents within them, apart from strict population and density numbers, because Combined Statistical Areas represent the same ''commonality of substantial employment interchange'' that an individual CBSA's residents must have.

In addition, commenters cited certain benefits of recognizing Combined Statistical Areas as ''presumptive communities.'' One is the flexibility to serve multiple counties located within a single Combined Statistical Area, or to expand a community beyond an individual CBSA's boundaries. Another is the opportunity for an FCU serving a single CBSA with a population less than 2.5 million to further expand in scope up to that limit. Another benefit is the addition of Combined Statistical Areas to the menu of safe and sound strategic options for an FCU to grow and survive once it reaches a saturation level within its present FOM.

Finally, one commenter supported the recognition of Combined Statistical Areas as ''presumptive'' communities as a ''welcomed change that is obviously within the confines [of the Act].'' Another cited an OMB pronouncement in support of Government agency use of Metropolitan and Micropolitan Statistical Area or Combined Statistical Area delineations to develop a non-statistical program, as long as the agency seeks public comment on the proposed use[27]—as the Board did in this rulemaking through the proposed rule.

Bank trade associations opposed recognizing Combined Statistical Areas as ''presumptive communities.'' One criticized the proposal as exceeding the reasonable definition of ''local.'' Others contended that a Combined Statistical Area necessarily is too expansive to be ''local'' because it ''represents larger regions'' that can encompass thousands of square miles crossing county and state borders. One opponent predicted that Combined Statistical Areas would be used to create state-wide FOMs, believing that this was not what Congress intended. Another claimed that Congress sought to impose narrow limits on areas a community credit union serves.

These commenters overlook certain facts that contradict the notion that a Combined Statistical Area is too expansive to be ''local.'' First, of the 174 designated Combined Statistical Areas, the 22 largest would not qualify as a WDLC because each, as a whole, exceeds the 2.5 million population cap. Second, the average geographic size among the 152 Combined Statistical Areas that would each qualify as a WDLC, at 4553 square miles, is comparable to the average geographic

[22] For communities with a population of less than 1 million, NCUA regional offices conduct the review of business and marketing plans to assess an FCU's service to the community as a whole, including low-income and underserved populations within. They report the results to the Office of Consumer Protection semi-annually. For communities with a population of 1 million or greater, the Office of Consumer Protection itself conducts the review and assessment.

[23] Appendix B, Ch. 2, § V.A.2. (''statistical area'' definition).

[24] 75 FR 36257 (June 25, 2010).

[25] OMB Bulletin No. 15–01 to Heads of Executive Departments and Establishments (July 15, 2015) at: *https://www.whitehouse.gov/sites/default/files/omb/bulletins/2015/1-01.pdf.*

[26] U.S. Census Bureau, *Geographic Terms and Concepts,* at: *https://www.census.gov/geo/reference/gtc/gtc_cbsa.html#md.*

[27] OMB Bulletin No. 15–01 *supra* note 24.

size among the 243 individual CBSAs the Board has approved since 2010, at 4572 square miles.

Having considered the comments addressing the proposal to recognize a Combined Statistical Areas as a ''presumptive community,'' the Board adopts the proposal given that a Combined Statistical Area simply unifies, as a single community, two or more contiguous CBSAs that each independently meet the existing rule's definition of a ''statistical area'' that presumptively qualifies as a WDLC. Accordingly, subject to the existing 2.5 million population limit for a CBSA, the rule adds to the ''statistical area'' definition ''all or an individual portion of . . . a Combined Statistical Area designated by the U.S. Office of Management and Budget.'' [28]

5. *Addition of an Adjacent Area to a Well-Defined Local Community.* The existing rule does not, for general use, give credit unions the option to submit a narrative, supported by objective documentation, that an FCU contends will demonstrate common interests or interaction among residents of a proposed community (the ''narrative model'').[29] The proposed rule allows credit unions to once again use a narrative approach supported by objective documentation to demonstrate that an area adjacent to a community consisting of an SPJ, a CBSA or a Combined Statistical Area qualifies as part of that local community. The credit union, using objective documentation, must demonstrate that the adjacent area is logically part of a WDLC that includes an SPJ, CBSA, or Combined Statistical Area due to common interests or interaction among residents on both sides of the perimeter. The expanded community still is subject to the applicable population limit. Any FCU has the option of pursuing a community charter that combines an adjacent area with all or a portion of an SPJ, CBSA or Combined Statistical Area. To support such an expansion, an FCU with a proven track record in serving an existing FOM may be permitted to use an agency-prescribed set of relaxed business plan requirements, as set forth in the final rule.[30] However, a credit union without an established track record of serving a community, such as a credit union converting to a community charter, will need to provide a full business and marketing plan.

Most credit union-affiliated commenters supported the proposal to permit a community credit union to add an adjacent area upon narrative proof of common interests or interaction among residents of the expanded community. They recommended that option as a logical advance in business development because it would allow an FCU to add an adjacent area without requiring it to discontinue serving its existing community. However, several commenters opposed the requirement that an FCU must support its application to add an adjacent area with a business plan demonstrating its post-expansion commitment and ability to serve the entire community.

Bank trade associations opposed the concept of permitting adjacent area additions to a community, regardless how common interests or interaction among residents is demonstrated, and in a few cases opposed it conditionally. Without specifying a substantive or procedural objection, some commenters asserted that the Board lacks statutory authority to implement the proposal. Another contended that, due to the breadth and scope of the banking industry, the adjacent areas the proposal addresses do not lack sufficient access to financial services. Still another complained that approval of an adjacent area addition on the basis of NCUA's qualitative assessment of a narrative would render the process non-transparent.

Two critical commenters conditioned their opposition to the proposal to allow adjacent area additions on certain modifications. The first would be to require the Board develop a complete record confirming that the proposed adjacent area meets six interaction or common interest characteristics among its residents, rather than accepting on its face the supporting information the credit union provides. The second would be, in each case, to require the Board to then publish a notice in the **Federal Register** inviting public comment on whether the proposed adjacent area is a WDLC.

The Act gives the Board broad discretion to define a WDLC for purposes of ''making *any determination*'' regarding a community credit union,[31] and to establish criteria to apply to any such determination.[32] Under that authority, the Board proposed a set of criteria that a narrative should address, and which NCUA staff would consider in evaluating an application to add an adjacent area to an existing community.[33] In contrast, the Act did not require NCUA to effectively subject each such application to a referendum by means of notice and an opportunity for the public to comment. In that event, the volume of community charter, conversion and expansion applications the agency's staff receives each year (an annual average of eighty-seven since 2010) would make it impracticable to seek public comment on each proposed adjacent area addition, and would needlessly consume agency resources. Further, a notice and opportunity to comment on each application, followed by agency review of the comments, would delay credit union service to the residents of the adjacent area in each case.

Having considered the comments addressing the proposal to permit an adjacent area addition to a community and, for that limited purpose, to accept narrative proof of common interests and interaction among residents, the Board has decided to adopt the proposal in the final rule.[34] In addition, the Office of Consumer Protection, or its successor, will separately issue guidance on the criteria introduced in the proposed rule that a narrative should address to support the addition of an adjacent area, and which the Board will consider in deciding an FCU's application to do so. The guidance may specify a certain number of criteria that, if met, would presumptively qualify an adjacent area for approval.

6. *Individual Congressional District as a Well-Defined Local Community.* Although not prohibited by statute, since 1999 the Board has maintained that Congressional districts and whole states do not qualify as a WDLC, even though both are well-defined.[35] In the December 2015 proposed rule, the Board reconsidered its policy and, as a result, proposed to recognize an individual Congressional district as a SPJ, thus qualifying each as a ''presumptive community'' without regard to population.[36] As with any other community charter application, the proposal required an FCU to support its application to serve a Congressional district with a business and marketing plan demonstrating its ability and

[28] Appendix B, Ch. 2, § V.A.2.

[29] In 2010, the Board abandoned the narrative model in favor of giving credit unions an option among ''presumptive communities'' that each by definition qualifies as a WDLC. 75 FR 36257, 36260 (June 25, 2010).

[30] 80 FR at 76750; Appendix B, Ch. 2, § V.B.

[31] 12 U.S.C. 1759(g)(1)(A) (emphasis added).

[32] *Id.* § 1759(g)(1)(B).

[33] 80 FR at 76772 (referring to the presence of an economic hub, quasi-governmental agencies, Government designated programs, shared public services and facilities, and colleges and universities).

[34] Appendix B, Ch. 2, § V.A.2.

[35] 63 FR 72012, 72013, 72037 (Dec. 30, 1998); Appendix B, Ch. 2, § V.A.2. *See also* 75 FR at 36258 (affirming that entire state is not acceptable as WDLC).

[36] Appendix B, Ch. 2, § V.A.1.

commitment to serve the entire community.

At least a thousand credit union-affiliated commenters supported the proposal to recognize Congressional districts as SPJs; only one opposed it.[37] The supporters emphasized that the Act never restricted Congressional districts from qualifying as a WDLC, thus giving the Board latitude to reconsider its original policy disqualifying them. One commenter characterized Congressional districts as the ''ultimate political jurisdictions'' because their average population of about 710,000 is far less than that of many SPJs, and less than the population threshold by which OMB may divide a CBSA into Metropolitan Divisions (2.5 million). Another suggested that a community consisting of an individual Congressional district should be allowed to encompass a certain radius of miles beyond the district's boundaries. In contrast, hundreds of bank-affiliated commenters opposed recognition of individual Congressional districts as SPJs.

The Board has considered the comments addressing the proposal to recognize an individual Congressional district as a ''presumptive community.'' Notwithstanding certain merits of the proposal, the Board has decided to defer action on it at this time, consistent with an incremental approach to introducing, and permitting credit unions to acclimate to, other significant community common bond enhancements adopted in the final rule (*e.g.,* Combined Statistical Areas, adjacent area additions, and an increased population limit and a new multi-state expansion limit on Rural Districts). As a result, the final rule does not designate an individual Congressional district as a ''presumptive community.''

7. *Commenters' Recommendations in Response to the Proposed Rule.* Several commenters initiated community common bond recommendations that the Board did not propose. The first commenter-initiated recommendation was that the Board accept as a ''presumptive community'' (in addition to CBSA and SPJ that the existing rule permits) *any* ''Federal, state or other statistical model'' an FCU chooses to designate as its community. The second recommendation was that the Board extend membership eligibility to non-profit organizations that provide services to the community a credit union serves, regardless whether the organization is headquartered or located there (as the existing rule requires). The third recommendation was that the Board accept for general use a narrative to demonstrate interaction or common interests among residents to support *any* application to charter, expand or to convert to a community credit union (not just in support of an adjacent area addition, as the final rule provides). The fourth recommendation was that the Board, by regulation, permit a multiple common bond credit union that converts to a community charter to add and serve new members from its *pre-conversion* select employee groups (''SEGs'') now located *outside* its community boundaries. This proposal would interpret the Act's ''grandfathered members and groups'' exception [38] to permit what would effectively be a ''once a SEG, always a SEG *regardless of common bond*'' policy allowing a multiple common bond credit union to retain those outside SEGs after it converts to a community charter.

The Administrative Procedure Act (''APA'') prohibits the Board from adopting these four recommendations in the final rule because the proposed rule did not introduce them for public comment, thus not ''provid[ing] sufficient factual detail and rationale for the rule to permit interested parties to comment meaningfully.'' [39] Nor is any of the four recommendations a logical outgrowth of a proposal that *was* introduced for public comment in the December 2015 proposed rule. As a result, the public was not given reasonable notice and an opportunity to address these commenters' recommendations.

B. Rural District Definition

The Act does not mandate a population limit for a Rural District. However, to qualify as a Rural District, the existing rule restricts the area's total population to the *greater* of either 250,000 people *or* 3 percent of the population of the state in which the majority of the proposed Rural District's residents would be located.[40] In addition, either at least 50 percent of the proposed Rural District's population must reside in geographic units the Census designates as ''rural,'' *or* the proposed Rural District's population density cannot exceed 100 persons per square mile.[41]

1. *Population Limit.* The proposed rule modified the present Rural District definition to increase the population limit from 250,000 to 1 million persons to ensure that the population of a Rural District is sufficient to provide a level of operating efficiencies and scale that would make the area attractive as a strategic option, and to facilitate credit unions' statutory responsibility to provide consumers, including persons of modest means who may reside in rural areas, with access to our national system of cooperative credit. The proposed rule also omitted as redundant the alternative population limitation of 3 percent of the population of the state in which the majority of the Rural District's residents would be located.

Nearly all of the credit union-affiliated commenters who addressed the proposed population increase to 1 million supported it, provided the Board does not eliminate the population cap on Rural Districts altogether. They dismissed the cap as superfluous in view of other qualifying criteria—the existing minimum population density and ''rural'' designation options and, if it were adopted, the multi-state expansion limit. They further contend that the characteristics of a Rural District do not change much as its population fluctuates. Conversely, one commenter conditioned its support for a 1 million population cap on elimination of the population density criterion, arguing that (at 100 persons per square mile) it is unduly low in any case.

Others believed that the sole criterion to qualify as a Rural District should be a credit union's ability to serve the area, as demonstrated by business and marketing plans, including via online services to members. To expand a Rural District, these commenters urged that the decisive factor should be evidence of the contiguous area's economic and social ties to the pre-expansion Rural District. One commenter suggested permitting an area to qualify as a Rural District so long as the Census does *not* classify it as either an ''urban area'' or

[37] The single credit union-affiliated opponent alleged a lack of ''commonality'' among residents of a Congressional district because it is ''skewed for political reasons to enable election of a certain party's candidates.''

[38] The ''grandfathered members and groups'' exception provides that ''Notwithstanding [section 1759(b)]—(i) any person or organization that is a member of any Federal credit union as of August 7, 1998, may remain a member of the credit union after August 7, 1998; and (ii) a member of any group whose members constituted a portion of the membership of any Federal credit union as of August 7, 1998, shall continue to be eligible to become a member of that credit union, by virtue of membership in that group, after August 7, 1998.'' 12 U.S.C. 1759(c)(1)(A).

[39] 5 U.S.C. 553(b)(3), 706(2)(A); *United States Telecom Ass'n* v. *Federal Communications Commission,* 2016 WL 3251234 (slip op. page 10); *CSX Transp., Inc.* v. *Surface Transp. Bd.,* 584 F.3d 1076 (D.C. Cir. 2009); *Ass'n of Private Sector Colleges and Univ.* v. *Duncan,* 681 F.3d 427 (D.C. Cir. 2012).

[40] Appendix B, Ch. 2, § V.A.2.

[41] *Id.*

an ''urban cluster.''[42] Instead of relying on ''rural'' versus ''urban'' distinctions, another commenter urged the Board to treat a Rural District the same as the final rule treats an adjacent area addition to a community, *i.e.,* allow the use of a narrative to demonstrate interaction and common interests among proposed Rural District residents.

Apart from the preference to eliminate the Rural District population cap, several commenters predicted that a 1 million population cap would open up consumer choice for a cooperative form of financial institution, helping credit unions to serve the low wage workers who dominate certain rural markets. Others emphasized the difficulty of delineating the borders of a Rural District versus an urban community, due to scattered population hubs and widely dispersed individuals and businesses, and urged the Board to modify its rules to facilitate credit union service to those areas.

Six bank-affiliated trade associations objected to the proposal because it quadrupled the Rural District population cap. These commenters stated that the proposal was an unreasonable interpretation of the statutory terms ''rural'' and ''local.'' They expressed concern that credit unions will exploit the increased population cap to combine densely populated and thinly populated areas into a single area to meet the population density limit, and to create state-wide fields of membership.

To limit Rural District expansions, one commenter urged NCUA to require the *majority* of persons within a proposed Rural District to reside in geographic units the Census designates as ''rural.'' Another commenter opposed the use of similar Consumer Financial Protection Bureau (''CFPB'') designations of ''rural'' counties, which would qualify approximately 3 out of 4 counties in the commenter's state for a Rural District expansion, believing that such a result would exceed a reasonable interpretation of ''local'' and ''rural.'' On the assumption that the Act requires a Rural District to be ''local,'' a commenter maintained that ''a Rural District encompassing a large region inherently would lack interaction or common interests among residents and thus inconsistent with the Act.''

These views rely on a pair of misconceptions: That ''local'' as used in section 1759(b) and (g) modifies ''rural district,'' when in fact it does not; and that a ''local'' area and a ''rural'' area necessarily share similar characteristics, which they inherently do not. In any case, a Rural District by its very nature typically covers an area that is too large to be considered ''local.''

As the proposed rule explained, a Rural District must have a population sufficient to enable it to provide a level of operating efficiencies and scale that will make it attractive to credit unions as a strategic option. In that regard, a commenter questioned why a population of 1 million is needed to achieve that objective when, according to the commenter, community banks manage to serve far fewer than 1 million people located in rural areas. Another commenter expressed concern that NCUA will exploit the need for ''operating efficiencies'' to raise the Rural District population cap beyond 1 million.

Having considered the comments addressing the Rural District population cap, the Board has decided to set the rural district population cap at 1 million, as proposed. The Board believes this higher limit will achieve a ''balance . . . between permitting rural districts to be large enough to be economically viable but not unreasonably large taking into account the purpose of the rural district,''[43] and will bring affordable financial services to portions of the country that would not otherwise meet the requirements of a WDLC.

A higher population cap is supported by the Board's experience since 2013 with eight credit unions, in four different states, serving Rural Districts with an average population of 536,646.[44] The ability of these credit unions to bring affordable financial services to more populated areas has convinced the Board that a population cap should permit additional growth opportunities in rural areas. These opportunities would assist credit unions located in areas where residents are unable to readily interact or share common interests to support a WDLC—which is subject to a much higher population cap—even though these residents need access to affordable financial services.

The existing rule provides an alternative population limit of 3 percent of the population of the state in which a majority of a rural districts residents are located. Under that alternative, the Board has approved 8 rural districts above the general population limit of 250,000. Moreover, that alternative already allows a rural district with a population of at least 1 million in one state, and of at least 800,000 in another. Having set a 1 million precedent in one state, the purpose of the alternative limit also justifies a *fixed* 1 million population cap for the other 49 states—a high enough cap to accommodate not only the hub area within a rural district, but also the surrounding population of potential members, to support the rural district's economic viability.

In view of this objective, a 1 million cap is appropriate because it strikes an appropriate balance between economic viability and an excessive population. It also leaves credit unions that already serve a Rural District, as well as those that would consider doing so, sufficient flexibility going forward to maintain economic viability and to maximize penetration of the potential membership base.

Most importantly, an increased cap will enhance consumer access to our national system of cooperative credit, particularly those of modest means in rural areas, who may otherwise lack access to a not-for-profit cooperative credit union. In this regard, the Board finds it compelling that in 97 percent of non-metropolitan counties, more than 50 percent of the population is either low, moderate, or middle income.[45] Accordingly, the final rule increases the Rural District population cap to 1 million, while still requiring credit unions to demonstrate an intent and ability to serve the entire area.

Bank-associated commenters speculated that larger regions would lack interaction or common interests among their residents. What these commenters overlook is that these defining characteristics of a WDLC do not apply to a Rural District. Rather, primarily due to the sparsely distributed population in rural areas,[46] the defining characteristic of a Rural District necessarily is population density.

The Board believes that increasing the population limit on rural districts is warranted by the contemporary economic realities of serving sparsely populated areas. The penetration rate among community charters typically is five percent. As a result, for a credit union serving a rural district to thrive, a sufficiently large population base is essential to enable it to offer financial services economically. Although some commenters believe that the higher limit would give credit unions an unfair

[42] For Census identification of ''urban areas'' and ''urban clusters,'' see *https://www.census.gov/geo/reference/ua/urban-rural-2010.html.*

[43] 78 FR 13460, 13462 (Feb. 28, 2013).

[44] Each of these eight Rural Districts was approved under the existing rule despite a population in excess of 250,000 because, in each case, its population was less than 3 percent of the population of the state in which the majority of the Rural District's residents were located.

[45] *https://www.ffiec.gov/geocode/help3.aspx*

[46] 74 FR 68722, 68723 (December 29, 2009).

competitive advantage, the reality is that credit unions in rural districts are subject to restrictions on who they may serve, unlike other types of financial institutions. The Board believes that the objective of expanding opportunities for credit unions to serve more consumers in rural areas outweighs any perceived impact on competition. The Board's concern about excessive expansion of rural districts is addressed below.

2. *Multi-State Expansion Limit.* The existing rule permits the expansion of a Rural District beyond the boundaries of the state in which the FCU maintains its headquarters. To achieve consistency with Census recognition of expansive rural areas while appropriately limiting multi- state expansion, the proposed rule revised the present Rural District definition (population limit plus either sparse population density or a ''rural'' designation) to confine a Rural District's expansion to the boundaries of the states that are *immediately contiguous* to the state in which the FCU approved to serve the Rural District is headquartered (*i.e.,* not to exceed the outer perimeter of the layer of states immediately bordering the headquarters state).

Relatively few commenters addressed the proposed multi-state expansion limit. Some of the credit union-affiliated commenters opposed the multi-state expansion limit as redundant, suggesting that it should be eliminated in view of the population cap, which would function as an appropriate check on overexpansion. Conversely, others advocated retaining the multi-state expansion limit, provided the population cap on Rural Districts is eliminated. One commenter urged that the sole criterion for approving a Rural District should be the credit union's ability to serve an area lacking in access to credit union service, including by technological means. The few bank commenters who addressed the proposed multi-state expansion limit opposed the concept of multi-state Rural Districts altogether, dismissing it as a means to effectively allow state-wide and multi-state FOMs.

In contrast to these comments, the Board's purpose is to have dual limitations that each serve a unique purpose—one on population, the other on geographic area size. Therefore, having considered the comments addressing the proposed multi-state limit on Rural District expansions, the Board has decided to adopt it without alteration in the final rule. Accordingly, the final rule provides that, to qualify as a Rural District, an area's boundaries must ''not exceed the outer boundaries of the states that are *immediately contiguous* to the state in which the credit union maintains its headquarters (*i.e.,* not to exceed the outer perimeter of the layer of states immediately surrounding the headquarters state).'' [47]

C. Underserved Areas

The Act authorizes the Board to allow multiple common bond credit unions to serve members residing in an ''underserved area,'' provided the FCU establishes and maintains a facility ''in'' the area.[48] To qualify as ''underserved,'' an area must, among other criteria, be ''underserved . . . by other depository institutions . . ., based on data of the Board and the Federal banking agencies.'' [49] In the absence of a specific test or criteria to assess such ''underservice,'' the Board developed a ''concentration of facilities ratio'' (''COF ratio'') [50] that it has relied upon to determine whether a proposed area is underserved by other depository institutions.

1. *Exclusion of Non-Depository Institutions and Non-Community Credit Unions from Concentration of Facilities Ratio.* To prevent dilution and distortion of the COF ratio, as well as to strictly adhere to the letter and the spirit of the ''depository institutions'' definition,[51] the proposed rule excluded non-depository banks (*e.g.,* trust companies, which do not accept deposits from the general public) [52] and non-community credit unions (*e.g.,* multiple common bond credit unions other than those already serving an Underserved Area) from the COF ratio. By definition or in practice, neither is capable of serving the general public of a proposed Underserved Area.

Of the commenters who specifically addressed the proposed non-depository bank and non-community credit union exclusions from the COF ratio, most opposed the COF concept altogether, denouncing it as: Flawed, unduly cumbersome and incapable of producing a meaningful analysis; the cause of unnecessary disapprovals; and a disincentive to serve an Underserved Area.[53] However, assuming the Board would retain the COF ratio, 41 credit union-affiliated commenters supported both exclusions.

Other commenters urge that once a Government agency designates an area as ''underserved,'' the Board should not require the FCU to also demonstrate that the area is ''underserved by other depository institutions'' (even though the Act mandates exactly that); should disregard the number of depository institutions already serving the area (even though the Act mandates the opposite); and should exempt underserved areas from the population cap that applies to a CBSA. These commenters maintained that greater flexibility concerning Underserved Area criteria would reduce burden—presently a disincentive for credit unions to expand service to an Underserved Area. However, these commenters overlooked the Act's explicit requirement that an area be ''underserved by other depository institutions'' [54] regardless of the other statutory criteria, in order to qualify as an Underserved Area.

One commenter asked the Board to clarify how shared branches would count to determine whether an area is ''underserved by other depository institutions'' (*i.e.,* whether each shared branch *participant* counts as an individual depository institution, or the shared branch as a whole counts as a single depository institution regardless of the number of participating institutions). As an incentive to serve Underserved Areas, another commenter asked the Board to develop and make public a list of Underserved Areas that qualify under the applicable criteria (effectively pre-approving them) in

[47] Appendix B, Ch. 2, § V.A.2.

[48] 12 U.S.C. 1759(c)(2).

[49] *Id.* § 1759(c)(2)(A) citing *id.* § 461(b)(1)(A). The Act relies on the Community Development Banking and Financial Institutions Act to define ''depository institution.'' *Id.* § 4702(16). By definition, a ''depository institution'' is insured and includes credit unions. *Id.* § 461(b)(1)(A)(iv).

[50] 73 FR 73392 (Dec. 2, 2008). Using census tracts as the unit of measure, the concentration of facilities ratio compares the concentration of depository institution facilities among the population within the non-''distressed'' portions of the proposed area against the concentration of such facilities among the population of the area as a whole. 73 FR at 73396. Appendix B, Ch.3, § III.B.3. An area qualifies as underserved by other depository institutions when the concentration of facilities ratio within its non-''distressed'' census tracts exceeds the concentration of facilities ratio within the census tracts of the area as a whole.

[51] 12 U.S.C. 461(b)(1)(A).

[52] As identified in FDIC's ''Summary of Deposits Survey,'' *e.g., https://www.fdic.gov/news/news/financial/2015/fil15024.pdf.*

[53] As the Board explained when it proposed the COF ratio: ''CUMAA did not specify a methodology for determining whether a proposed area meets the 'underserved . . . by other depository institutions' test; instead, it broadly refers to unspecified 'data of the [NCUA] Board and the Federal banking agencies.' 12 U.S.C. 1759(c)(2)(A)(ii). In the decade since CUMAA, raw data has accumulated within government on branch locations and the volume of business in certain products and services, but meaningful and reliable data on these points has only recently become readily accessible. This data makes it possible to quantify and compare the presence of financial institution facilities in a given area. The proposed rule suggests [the COF ratio as] a flexible methodology that relies on publicly available population data and data on the location of financial institution branches.'' 73 FR 34366, 34369 (June 17, 2008). *See also* 73 FR 73392, 73396 (Dec. 2, 2008).

[54] 12 U.S.C. 1759(c)(2)(A)(ii).

order to conserve the resources credit unions otherwise must devote to identifying Underserved Areas.

Although many bank-affiliated commenters opposed the concept of the COF ratio altogether, one supported the proposed exclusions. Having considered the comments addressing the proposed exclusions from the COF ratio, the Board considers the proposal an appropriate improvement and, therefore, implements both exclusions in the final rule.

2. *Alternatives to Identify Areas ''Underserved by Other Depository Institutions.''* As alternatives to using the COF ratio to assess whether a proposed area is underserved by other depository institutions, the proposed rule permitted use of ''underserved county'' designations by the CFPB,[55] as well as a metric of a credit union's own choosing provided it is based on NCUA or other Federal banking agency data.[56] In addition, the proposed rule invited commenters to identify other methodologies and Federal banking agency data that would be useful to objectively determine whether an area is ''underserved by other depository institutions.''

Credit union-affiliated commenters suggested various metrics to use in addition to, or instead of, the COF ratio to assess the existing level of service by depository institutions already present in a proposed Underserved Area. These included the CFPB's ''underserved'' county designations, and Home Mortgage Disclosure Act (''HMDA'') data indicating the number of depository institutions that meet a minimum ratio of mortgage loans extended to residents within an area versus borrowers from outside, and to persons below a certain credit score limit. In many cases, the suggested metric is generic because the commenter did not specify the data the metric would rely on and/or the source of the data.[57] A single bank commenter opposed the use of alternative metrics altogether, finding it inappropriate to allow credit unions to rely on a metric of their own choosing.

Having considered the comments suggesting alternative metrics to determine whether a proposed area is underserved by other depository institutions, the Board has decided to accept the CFPB's ''underserved county'' designations as a proxy for a determination of ''underservice.'' The Board also will consider an FCU-chosen metric, provided it is based on NCUA or Federal banking agency data. An example of such a metric would be relevant data from the publicly available reports of Community Reinvestment Act examinations conducted by the Federal Deposit Insurance Corporation (''FDIC''), the Office of the Comptroller of the Currency or the Board of Governors of the Federal Reserve System, or from HMDA data collected by these agencies.[58]

Accordingly, the final rule provides that ''a proposed area will qualify as 'underserved by other depository institutions' if it is designated as, or is within, an 'underserved county' according to data produced by the CFPB. . . . NCUA will make a list of 'underserved counties' available on its Web site.''[59] Alternatively, the final rule permits a credit union to submit for approval ''a metric of its own choosing that is based on NCUA or other Federal banking agency data, [that] establishes to NCUA that the proposed area is 'underserved by other depository institutions.'[60]

3. *Commenters' Recommendations in Response to the Proposed Rule.* In response to the proposed rule, a few commenters initiated Underserved Area recommendations of their own. The Board can adopt a regulatory proposal only when, and to the extent, it is authorized by law, and then only if it is supported by rational and reasonable policy conclusions as reflected in the rulemaking record.[61]

The first commenter recommendation was that the Board, by regulation, permit any charter type to add an Underserved Area, whereas the existing rule permits only a multiple common bond credit union to do so. To allow any charter type to serve an Underserved Area would require Congress to amend the Act, which presently limits Underserved Area additions to FCUs in the ''the field of membership category of which is described in [section 1759(b)(2)],'' *i.e.,* exclusively a ''multiple common-bond credit union.''[62] Pending such an amendment to the Act, the Board lacks the authority to adopt the recommendation to allow *any* charter type to add an Underserved Area.

The second commenter recommendation was that the Board permit ''other technical means,'' beyond what the existing ''service facility'' definition permits, to meet the Act's explicit mandate that a credit union ''establish and maintain an office or facility *in*'' the Underserved Area it is approved to serve.[63] For the Board to depart from this statutory mandate would require Congress to amend the Act to, for example, substitute ''to serve'' for the word ''in.'' Pending such an amendment to the Act, the Board lacks the authority to adopt the recommendation to permit a transactional Web site to qualify as a valid service facility within an Underserved Area.

D. Multiple Common Bond

As amended in 1998, the Act restored the Board's multiple common bond policy, permitting a multiple common bond credit union to serve a combination of distinct, definable occupational and/or associational groups, provided each has its own common bond among group members.[64]

1. *Credit Union's ''Reasonable Proximity'' via Members' Online Access to Services.* When it is either impracticable or inconsistent with reasonable standards of safety and soundness for a group to form a stand-alone single common bond credit union, the Act requires ''inclusion of [a new] group in the [FOM] of a credit union that is within *reasonable proximity* to the location of the group whenever practicable and consistent with reasonable standards for the safe and sound operation of the credit union.''[65] Solely to meet the ''reasonable proximity'' requirement, the Board proposed revising the definition of a ''service facility'' to include online internet access in the form of a transactional Web site that gives members of added occupational or associational groups access to their credit union's products and services.[66]

[55] CFPB's annual ''Rural or underserved counties list'' does not segregate ''rural'' and ''underserved'' counties. Therefore, NCUA will use the data collected by CFPB to produce and make available a list that identifies ''underserved areas'' exclusively.

[56] *E.g.,* FDIC ''Summary of Deposits Survey,'' *supra* note 51.

[57] *E.g.,* U.S. Department of Agriculture data; Pew Research Center reports; changes in an area's characteristics between decennial Censuses; local economic factors; local poverty rates; local unemployment rate; local median family income; and reports and surveys an applicant credit union itself develops.

[58] 12 U.S.C. 2902(2)

[59] Appendix B, Ch. 2, § III.B.3.

[60] *Id.*

[61] 5 U.S.C. 706(2)(A).

[62] 12 U.S.C. 1759(c)(2).

[63] *Id.* § 1759(c)(2)(B) (emphasis added). The Board authorized video teller machines in an opinion letter dated August 6, 2012, at: *https://www.ncua.gov/regulation-supervision/Pages/rules/legal-opinions/2012/0965.aspx.*

[64] 63 FR 71998, Dec. 30, 1998; 12 U.S.C. 1759(b)(2)(A). *See NCUA* v. *First National Bank & Trust Co.,* 522 U.S. 479 (1988).

[65] 12 U.S.C. 1759(f)(1)(B) (emphasis added).

[66] The revised definition would not permit an individual to qualify remotely for membership in a

Continued

The Board noted the significant benefits of access via an electronic service facility, namely that it would put multiple common bond credit unions in parity with their depository institution competitors, and would permit them to keep pace with advances in technology that enable more efficient delivery of products and services to their members.

Scores of credit union commenters supported the proposal to modify the definition of service facility to permit use of a transactional Web site to achieve reasonable proximity between a multiple common bond credit union and members of its added groups. These commenters contented that the proposal is within the Board's authority to interpret the Act. As a practical matter, the commenters asserted that online proximity reflects the large and growing role of modern financial technology, making geographic location and physical branches less representative of the scope of a credit union's service area. Online access would allow FCUs to efficiently meet their members' needs and expectations.

Commenters stated that while an FCU's physical presence conveniently close to the groups it served may have been a practical necessity in the past, evolving technology has expanded the menu of options members have to interact with their financial institution, effectively putting them in close proximity regardless of geographic location. In contrast, scores of bank commenters opposed the proposal to amend the definition of service facility to include online access. They claimed that the proposal exceeds the Board's statutory authority and is inconsistent with Congressional intent, in that an online internet channel would ''effectively remove the statutory requirement that a multiple common bond FCU be in a 'reasonable proximity to the location of the group.'' Moreover, they criticized the proposal as inconsistent with NCUA's prior interpretation of ''reasonable proximity'' as mandating an FCU branch office or mobile office physically near the group to be added. One commenter recommended that NCUA study the effect of the proposal on the wider financial services industry.

The Board has considered the comments addressing the proposal to modify the definition of service facility to permit use of a transactional Web site to achieve ''reasonable proximity'' between a multiple common bond credit union and members of its added groups. Notwithstanding certain merits of the proposal, the Board has decided to defer action on it at this time, consistent with an incremental approach to introducing the other FOM modifications adopted in the final rule, thus permitting credit unions to acclimate to them. The Board will further study the impact of the proposal.[67] However, this decision does not detract from the Board's belief in the utility of on-line access to facilitate transactions between credit unions and their members generally.

2. *Inclusion of Select Employee Group Contractors in a Multiple Common Bond.* The proposed rule extended to *multiple* occupational common bond credit unions the ability (that single common bond credit unions already have)[68] to add persons who work regularly for an entity that is under contract to any of the SEG sponsors listed in a credit union's charter, provided there is a ''strong dependency relationship'' between the contractor and the SEG sponsor in each case.

Scores of FCU commenters supported this proposal, believing that it better reflects today's modern workforce, in which it is not uncommon for businesses to outsource work to contractors whose employees, although not directly employed by a SEG sponsor, are integral to the sponsor's functioning and operations. In some cases, the employees of an independent contractor have worked for a SEG sponsor longer than many of the sponsor's *own* employees, who were eligible for membership from the outset of their employment. As many commenters pointed out, there is no functional distinction between a single and multiple common bond credit union for purposes of recognizing the occupational common bond between a SEG sponsor's own employees and those of its contractors with whom they work.

These commenters noted that the proposal would allow greater flexibility for potential members to join an FCU, thus easing or eliminating unnecessary administrative burdens and restrictions on FCUs. As a result, they claimed that this proposal would help to expand the multiple common bond membership base nationally, thereby making affordable financial services available to more American consumers.

In contrast, bank commenters opposed the contractor eligibility proposal, arguing that it is inconsistent with the Act and its legislative history to include within a SEG the employees of its sponsor's contractors. They asserted that the Act favors the formation of single common bond credit unions.

Having considered the comments addressing inclusion of SEG contractors in a multiple common bond, the Board has determined that the proposal not only is consistent with the statute, but reflects the modern economy's increasing reliance on contractors. Specifically, the Board notes the proposal's consistency with the Act's provisions requiring a stand-alone feasibility assessment above the 3000 member threshold. The strong mutual dependency of a SEG sponsor and its contractor on each other effectively cements the single common bond the sponsor's employees and the contractor's employees share with each other.

Despite the Act's preference for the formation of single common bond credit unions, the Act expressly permits a multiple common bond addition when a group cannot reasonably establish a single common bond credit union, or likely would be unable to successfully manage and sustain such a credit union.[69] The addition of a contractor's employees to a SEG consisting of the sponsor's employees with whom they work is consistent with that approach. Accordingly, the final rule provides that a *multiple* occupational common bond credit union may add persons who work regularly for an entity that is under contract to any of the SEG sponsors listed in the credit union's charter, provided there is a ''strong dependency relationship'' between the contractor and sponsor. To extend to *multiple* common bond credit unions the ability that *single* common bond credit unions already have to add persons who work regularly for an entity under contract to its sponsor advances the Board's goal to enable parallel functioning between single and multiple common bond credit unions whenever feasible and consistent with the Act.

Some commenters requested the Board to define what constitutes a ''strong dependency relationship'' between a SEG sponsor and its contractor, but cautioned against requiring either SEG sponsors or their contractors to disclose trade secrets or confidential financial information. Some suggested permitting an FCU to pledge in good faith that it can

community credit union based on electronic access to it from outside its well-defined local community. Nor would the revised definition apply to meet the requirement that a credit union serving an Underserved Area ''must establish and maintain an office or facility in [the Underserved Area].''

[66] 12 U.S.C. 1759(c)(1)(B).

[67] The Board notes that a shared branch or other facility can be used as an alternative to meet the ''reasonable proximity'' requirement.

[68] Appendix B, Ch. 2 § II.A.1.

[69] 12 U.S.C. 1759(f)(1)(B).

document a ''strong dependency relationship'' between each SEG's sponsor and the sponsor's contractor in accordance with the particulars of the industry in which they operate. Reflecting the Board's preference for a more objective standard, the final rule defines a ''strong dependency relationship'' between a SEG sponsor and the sponsor's contractor to mean that both rely on each other as measured by a pattern of regularly doing business with each other, for example, as documented by the number, the term length and the dollar volume of prior and pending contracts between them. The Board intends the ''strong dependency'' standard to be determined by credit unions themselves, so as to create a rebuttable presumption that the sponsor's employees and those of the contractor share a single common bond, as the Act requires. NCUA's Office of Consumer Protection, or its successor, anticipates issuing further guidance to clarify what documentation will be acceptable to confirm a contractual relationship based on a pattern of regularly doing business.

3. *Multiple Common Bond of Office/Industrial Park Employees.* The existing rule expressly permits a community charter to consist of persons who are employed within an office or industrial park.[70] As an alternative to such a community charter, the proposed rule expressly permitted a multiple common bond credit union to combine in a single SEG all the employees of a park's business and retail tenants (*e.g.,* within a shopping mall, an office building or an office complex), provided each tenant has fewer than 3000 employees working regularly at a facility within the park—effectively a SEG consisting of park tenants themselves rather than their employees.

About a dozen credit union commenters specifically addressed the tenants' SEG proposal, generally favoring it as an enhancement of an FCU's ability to serve multiple businesses within an office/industrial park by leveraging its resources to provide more value to its membership. Specifically, the proposal enabled an FCU to use a park's tenant base to more efficiently identify and offer services to employees of businesses within the park.

Critics of the proposal included some credit unions and several banks that believed the proposal would create an impermissible ''hybrid'' charter that combined community and occupational common bond characteristics. Specifically, these commenters believed such a charter would make a SEG out of a group (*i.e.,* employees of a park's retail and business tenants) that is more properly characterized simply as persons who work in a geographically based community. These commenters emphasized that the Act prescribes distinct criteria for groups sharing an occupational versus an associational common bond.[71] The opponents also questioned the justification for this proposal beyond administrative convenience.

Having considered the comments addressing the tenants' SEG proposal, the Board believes it is appropriate to give the employees of a park's tenants the option to join a multiple common bond credit union. However, a SEG sponsored by a landlord and consisting of its tenants (as opposed to the landlord's *own* employees) unequivocally lacks the essential *occupational* common bond due to the lack of an employment relationship between the landlord and each tenant. Notwithstanding this structural flaw, the existing rule's language and its application in practice have convinced the Board that the rule *already* permits a park's tenants, in each one's capacity as *an employer,* to form a multiple occupational common bond credit union combining each one's individual SEG.[72]

Accordingly, in lieu of the tenant SEG proposal, the final rule clarifies the current availability of the multiple common bond option for employers within an industrial park, shopping mall, office park, or office building (each a ''park'') by expressly specifying it as an example within the rule; no rule change is required.[73] Consistent with the Act's stand-alone feasibility exemption for groups with fewer than 3000 members,[74] each park tenant's SEG must have fewer than 3000 employees who work at a facility within the park, each of whom would be eligible for FCU membership only for so long as he/she regularly works there.[75] This existing multiple common bond option creates neither a new charter type nor an impermissible hybrid community/multiple group charter; rather, it gives FCUs a choice between *either* distinct charter type to serve an office/industrial park.

4. *Streamlined Documentation to Assess Stand-Alone Feasibility of Groups of 3000 or Greater.* The proposed rule streamlined NCUA's process for assessing the stand-alone feasibility of a group of 3000 or more members (''≥3000 group'') that seeks to be added to the FOM of an existing multiple common bond credit union, instead of forming a single common bond credit union. A group of fewer than 3000 members (''<3000 group'') is subject to the existing process under the Application for Field of Membership (NCUA form 4015 EZ). A group between 3000 and 5000 is required to document its inability to form a credit union of its own based on evidence of a lack of available subsidies, disinterest among the group's members, and an overall lack of sufficient resources (NCUA form 4015–A). Groups with more than 5000 members are subject to the existing standard application process, requiring a group to fully describe its inability to establish a new single common bond credit union (NCUA form 4015). The proposed rule invited comments on whether to increase the 5000 member threshold that triggers the standard application process.

Scores of comments, both in support and in opposition, addressed the proposal to streamline the documentation requirement to assess the stand-alone feasibility of ≥3000 groups. Credit union commenters generally favored the proposal, but requested modifications, particularly to increase the membership threshold and the method of quantifying group size. Most commenters recommended increasing the threshold to 5000, while others recommended increasing it to as many as 20,000 members. One commenter recommended eliminating a numerical threshold completely. Further, many credit union commenters recommended evaluating the stand-alone feasibility criteria using the number of actual rather than potential members. Acknowledging the Board's initial rationale for the streamlined approach—that 80 percent of failures occur among FCUs with fewer than

[70] Appendix B, ch. 2 § V.A.7.

[71] As set forth in the Chartering Manual, the criteria of an occupational common bond are: (1) Employment in a single corporation, (2) employment in a corporation with a controlling interest in or by another legal entity, (3) employment in a corporation which is related to another legal entity (such as a company under contract and possessing a strong dependency relationship with another company); (4) employment or attendance in a school, or (5) employment in the same Trade, Industry or Profession. Appendix B, ch. 2, § II.A.1.

[72] Appendix B, ch. 1 § XI.

[73] To facilitate the formation of multiple SEGs among a park's retail and business tenants, a multiple common bond credit union could rely on a letter from an authorized representative of the park, such as its leasing agent, to identify each incoming tenant capable of forming its own SEG, and to give notice of the departure of an existing SEG's sponsor from the park, thus discontinuing its SEG.

[74] 12 U.S.C. 1759(d)(2)(A).

[75] Appendix B, ch. 2, § IV.A.1.

5000 actual members [76]—certain supporters urged NCUA to consider the safety and soundness consequences and the risk to the Insurance Fund of insisting that groups between 3000 and 5000 members form their own credit unions. They suggested that NCUA's goal should be to charter FCUs that are most likely to survive.

Several bank commenters criticized the proposal, claiming that it violates the Act and is inconsistent with the legislative history. These commenters stated that, with limited exceptions, the Act expressly limits to 3000 members the size of a group that can be added to an existing multiple common bond credit union. The commenters were concerned that the proposal's practical effect would be to unilaterally increase the numerical limitation prescribed by law.

In contrast, credit union commenters insisted that the proposal is within the Act's statutory authority because it does not obviate the requirement that a >3000 group demonstrate its inability to establish a new single common bond FCU. In their view, it allows NCUA to accept a group's statement of inability to form a stand-alone credit union in lieu of full supporting documentation. To the extent such documentation is absent, they noted that NCUA retains the ability to reject or to further investigate a group's statement of inability to form a stand-alone credit union.

Having considered the comments addressing the streamlined documentation proposal for assessing the stand-alone feasibility of >3000 groups, it is clear that commenters opposing the proposal relied on a fundamental misconception—that the proposal would alter the 3000 member stand-alone feasibility threshold mandated by the Act. On the contrary, the final rule merely reduces the documentation required, depending on group size, to support a stand-alone feasibility determination, while continuing to honor both the 3000 member feasibility threshold and the feasibility criteria that the Act prescribes. Further, streamlining the required documentation is a response to complaints to the agency from multiple common bond credit unions that the excessive paperwork demand on groups they seek to add has been a disincentive to those groups, causing them to withdraw in frustration.

Certain credit unions urged the Board to increase the threshold above 5000, if based on potential members or, if left at 5000, to base it on actual members. These commenters did not provide a compelling justification for adjusting this amount at this time. On the contrary, the Board has determined that the proposed 5000 member threshold is appropriate at this time, believing that it represents the minimum number of potential members needed for a credit union to maintain long-term economic viability.

The process of applying the statutory stand-alone feasibility criteria is identical under both the streamlined documentation and the standard approaches. In either case, the Board would review a >3000 group's application and determine whether to accept or reject it, or to request additional supporting information. Accordingly, the streamlined documentation proposal is consistent with the Act's stand-alone feasibility mandate.

5. *Commenter-initiated Emergency Merger Proposal.* To facilitate mergers between credit unions with unlike common bonds, several commenters recommended a variety of approaches for relaxing, if not effectively disregarding, the statutory standard authorizing an emergency merger free of the FOM constraints the Act otherwise imposes. ''Notwithstanding any other provision of law,'' including the FOM limitations it may impose, the Act permits the Board to authorize the merger of an insured credit union (or a purchase and assumption of its assets) provided the credit union is ''insolvent or is in danger of insolvency.'' [77] Given that this explicit, objectively measurable ''insolvency'' standard is expressly imposed by the Act, the Board is bound by it no matter what other circumstances it would consider to warrant a merger of unlike common bonds. Within that standard, the Board retains discretion to define ''danger of insolvency,'' *e.g.,* in terms of imminence, as the existing rule does according to time increments (between 12 and 36 months) pending a credit union's declining net worth classification.[78] The Board will, in a separate rulemaking, consider alternative approaches to define the ''danger of insolvency'' prerequisite for an emergency merger of unlike common bonds.

E. Other Persons Eligible for Credit Union Membership

NCUA has historically recognized a variety of persons who, by virtue of their relationship to a common bond group, have been entitled to credit union membership eligibility.[79] To recognize the contributions of those who have served in the United States Armed Forces, and to give them the benefit of access to credit union service following active duty, the proposed rule permitted a credit union to include as an affinity group within its common bond the honorably discharged veterans of any branch of the United States Armed Forces listed in its charter.

Credit union commenters uniformly favored this proposal for recognizing not only the affinity that veterans share with their own active duty branch of service, but the affinity among active duty and retired military personnel generally. Some commenters supported the proposal as a means to protect military veterans from unscrupulous lenders. Another opposed it as too expansive, contending that it would justify membership eligibility for retirees of other organizations within an FOM. Conversely, yet another commenter advocated expanding the proposal to grant membership eligibility based upon the affinity of, for example, retired federal employees and retired teachers. The single bank commenter who addressed this proposal was concerned that it would enable individuals to use ''creative measures'' to join an FCU by group affinity generally.

Having considered the comments addressing the proposal to extend membership eligibility to honorably discharged military members, the Board believes that it is appropriate due to the unique bond that discharged veterans typically retain with their former branch of service (*e.g.,* via military-sponsored morale, welfare and recreational associations). The Board emphasizes that such an affinity applies exclusively to honorably discharged veterans; in contrast, membership eligibility would be available to retirees of other groups, such as teachers or federal employees within an FOM, only to the extent an individual credit union permits it in its charter. Accordingly, exclusively for ''Honorably discharged veterans who served in any of the Armed Services of the United States listed in [a credit union's] charter,'' the final rule automatically grants membership eligibility.[80]

[76] 80 FR at 76754.

[77] 12 U.S.C. 1785(h).

[78] Appendix B, Ch. 2, section II.D.2. (glossary definition of ''danger of insolvency'').

[79] Appendix B, Ch.2, sections II.H., IV.H., and Appendix 1 (glossary definition of ''affinity'').

[80] Appendix B, Ch. 2, § II.H.

F. Inclusion of ''Strong Dependency'' Vendors and Suppliers in a Single Common Bond Within a Trade, Industry or Profession

A single occupational common bond within a trade, industry or profession (a ''TIP'') is based on employment by any number of separately owned corporations or other legal entities that share a common bond by reason of producing similar products, providing similar services, sharing the same profession or trade, or participating in the same industry.[81] A TIP-based common bond requires a narrow commonality of interests among the TIP entities' employees and a close nexus among the entities themselves.[82]

The proposed rule clarified that the existing definition of a TIP-based single common bond of occupation includes employees of entities that have a strong dependency relationship on, and whose employees work directly with employees of, other entities within the same industry, to the extent that a significant, if not equal, economic impact is likely if one were unable to continue in its operations without doing business with the other.

Several credit unions favored the proposal to include ''strong dependency'' vendors and suppliers in a TIP, stating that it would provide regulatory relief in allowing TIP credit unions to reach potential members more easily. One commenter welcomed the Board's recognition that current employment practices frequently involve outsourcing of work to independent vendors and suppliers under contract. No commenter opposed the proposal.

Some commenters expressed a mistaken belief that the existing rule restricts a TIP charter from serving the entire nation. On the contrary, the existing rule imposes no geographic limitation on service to the groups within a TIP. In fact, NCUA has approved several TIPs whose groups span the whole nation.

Having considered the comments addressing the proposal to include ''strong dependency'' vendors and suppliers in a TIP, the Board has decided to adopt it in the final rule.[83] Further, at the request of commenters, the final rule defines a ''strong dependency'' relationship between TIP entities and their vendors and suppliers as a relationship in which they rely on each other to the extent, for example, that the absence of one likely would cause the other to suffer a material decline in either revenue, functionality or productivity, among other consequences.[84]

G. Technical Updates

Since publishing the December 2015 proposed rule, the Board has renamed the agency's Office of Consumer Protection as the Office of Consumer Financial Protection and Access (''OCFPA''). Accordingly, the final rule updates the agency's Chartering Manual to substitute OCFPA in place of certain references to regional office and regional director chartering responsibilities, and to substitute the Board Secretary for the former Office of Consumer Protection in reference to appeals of chartering decisions.[85] The final rule also corrects statutory and regulatory citations and cross-references in the Chartering Manual and its appendices, and updates those appendices to reflect current information and practices.

III. Regulatory Procedures

Regulatory Flexibility Act

The Regulatory Flexibility Act requires NCUA to prepare an analysis to describe any significant economic impact a regulation may have on a substantial number of small entities.[86] For purposes of this analysis, NCUA considers small credit unions to be those having under $100 million in assets.[87] This rule is anticipated to economically benefit FCUs that choose to expand their FOMs, but not to the extent that it will affect a substantial number of small entities. In any case, NCUA certifies that the rule will not have a significant economic impact on small credit unions.

Paperwork Reduction Act

The Paperwork Reduction Act of 1995 (''PRA'')[88] applies to collections of information through which an agency creates a paperwork burden on regulated entities or the public, or revises existing burden.[89] For purposes of the PRA, a paperwork burden may take the form of either a reporting, recordkeeping, or third-party disclosure requirement, also referred to as information collections.

Notwithstanding any other provision of law, no person is required to respond to, nor shall any person be subject to a penalty for failure to comply with, a collection of information subject to the requirements of the PRA, unless that collection of information displays a currently valid OMB control number. This rule involves a collection of information approved under OMB control number 3133–0015—Chartering and Field of Membership Manual.

The final rule creates new strategic options for FCUs, while requiring of them essentially the same information that the existing rule required to apply for and be granted a charter expansion or conversion, with two exceptions. It introduces a new form (NCUA 4015–A) within Appendix 4 to the Chartering and Field of Membership Manual that condenses the application process that otherwise would apply to the addition of certain groups to a multiple common bond FOM. Using this condensed version will streamline the application process and will no longer require completion of the Form 4015. By adding this option, no new burden is realized with the addition of NCUA 4015–A.

Regarding a community common bond, the final rule permits a community FCU to add an area adjacent to the perimeter of an existing community consisting of a Single Political Jurisdiction, Core Based Statistical Area or Combined Statistical Area, based upon a narrative showing that residents on both sides of the perimeter interact or share common interests. For that purpose, the rule identifies compelling indicia of interaction or common interests that would be relevant in developing and supporting a narrative to establish that the residents of the expanded community meet the requirements of a well-defined local community.

NCUA has determined that the procedure for an FCU to assemble such evidence of interaction or common interests, and to develop and submit a narrative summarizing the evidence to support its application to expand, would create a new information collection requirement. In the proposed rule, NCUA identified and described this new information collection requirement, estimating the time it would take to comply, and solicited commenters on the information collection aspects of the proposed rule. The sole commenter who addressed the information collection aspects of the proposed rule concluded without explanation that it would double the existing paperwork burden. The burden outlined in the December proposed rule revealed an increase of 26,160 hours due to the new and revised information collection requirements. With this estimated increase, the total burden

[81] 68 FR 18334, 18336 (April 15, 2003); Appendix B, ch. 2, § IIA.2.

[82] *Id.*

[83] Appendix B, Ch. 2, section II.A.2.

[84] *Id.*

[85] Appendix B, Ch. 2, sections II.C., II.C.6., III.C., III.C.6., IV.B., IV.B.5., V.C. and VII.D.

[86] 5 U.S.C. 603(a).

[87] *See* 80 FR 57512 (Sept. 24, 2015).

[88] 44 U.S.C. 3501 *et seq.*

[89] *Id.* § 3507(d); 5 CFR part 1320.

requested under OMB No. 3133–0015 is 44,223 hours.

Executive Order 13132

Executive Order 13132 encourages independent regulatory agencies to consider the impact of their actions on state and local interests. To adhere to fundamental federalism principles, NCUA, an independent regulatory agency as defined in 44 U.S.C. 3502(5), voluntarily complies with the Executive Order. Primarily because this rule applies to FCUs exclusively, it will not have a substantial direct effect on the states, on the connection between the national government and the states, or on the distribution of power and responsibilities among the various levels of government. NCUA has determined this rule does not constitute a policy that has federalism implications for purposes of the Executive Order 13132.

Assessment of Federal Regulations and Policies on Families

NCUA has determined that this final rule will not affect family well-being within the meaning of Section 654 of the Treasury and General Government Appropriations Act, 1999.[90]

Small Business Regulatory Enforcement Fairness Act

The Small Business Regulatory Enforcement Fairness Act of 1996 (Pub. L. 104–121) (''SBREFA'') provides generally for congressional review of agency rules. A reporting requirement is triggered in instances where NCUA issues a final rule as defined by Section 551 of the Administrative Procedure Act.[91] NCUA does not believe this final rule is a ''major rule'' within the meaning of the relevant sections of SBREFA, but as required, has submitted this final rule to OMB for its determination.

List of Subjects in 12 CFR Part 701

Credit, Credit unions, Reporting and recordkeeping requirements.

By the National Credit Union Administration Board on October 27, 2016.

Gerard S. Poliquin,

Secretary of the Board.

For the reasons stated above, NCUA amends 12 CFR part 701 as follows:

PART 701—ORGANIZATION AND OPERATION OF FEDERAL CREDIT UNIONS

■ 1. The authority for part 701 continues to read as follows:

Authority: 12 U.S.C. 1752(5), 1755, 1756, 1757, 1758, 1759, 1761a, 1761b, 1766, 1767, 1782, 1784, 1786, 1787, 1789. Section 701.6 is also authorized by 15 U.S.C. 3717. Section 701.31 is also authorized by 15 U.S.C. 1601 *et seq.;* 42 U.S.C. 1981 and 3601–3610. Section 701.35 is also authorized by 42 U.S.C. 4311–4312.

■ 2. Appendix B to part 701 is revised to read as follows:

Appendix B to Part 701—Chartering and Field of Membership Manual

Chapter 1 — Federal Credit Union Chartering

I—Goals of NCUA Chartering Policy

The National Credit Union Administration's (NCUA) chartering and field of membership policies are directed toward achieving the following goals:

- To encourage the formation of credit unions;
- To uphold the provisions of the Federal Credit Union Act;[92]
- To promote thrift and credit extension;
- To promote credit union safety and soundness; and
- To make quality credit union service available to all eligible persons.

NCUA may grant a charter to single occupational/associational groups, multiple groups, or communities if:

- The occupational, associational, or multiple groups possess an appropriate common bond or the community represents a well-defined local community, neighborhood, or rural district;
- The subscribers are of good character and are fit to represent the proposed credit union; and
- The establishment of the credit union is economically advisable.

Generally, these are the primary criteria that NCUA will consider. In unusual circumstances, however, NCUA may examine other factors, such as other federal law or public policy, in deciding if a charter should be approved.

Unless otherwise noted, the policies outlined in this manual apply only to federal credit unions.

II—Types of Charters

The Federal Credit Union Act recognizes three types of federal credit union charters—single common bond (occupational and associational), multiple common bond (more than one group each having a common bond of occupation or association), and community.

The requirements that must be met to charter a federal credit union are described in Chapter 2. Special rules for credit unions serving low-income groups are described in Chapter 3.

If a federal credit union charter is granted, Section 5 of the charter will describe the credit union's field of membership, which defines those persons and entities eligible for membership. Generally, federal credit unions are only able to grant loans and provide services to persons within the field of membership who have become members of the credit union.

III—Subscribers

Federal credit unions are generally organized by persons who volunteer their time and resources and are responsible for determining the interest, commitment, and economic advisability of forming a federal credit union. The organization of a successful federal credit union takes considerable planning and dedication.

Persons interested in organizing a federal credit union should contact one of the credit union trade associations or the NCUA regional office serving the state in which the credit union will be organized. Lists of NCUA offices and credit union trade associations are shown in the appendices. NCUA will provide information to groups interested in pursuing a federal charter and will assist them in contacting an organizer.

While anyone may organize a credit union, a person with training and experience in chartering new federal credit unions is generally the most effective organizer. However, extensive involvement by the group desiring credit union service is essential.

The functions of the organizer are to provide direction, guidance, and advice on the chartering process. The organizer also provides the group with information about a credit union's functions and purpose as well as technical assistance in preparing and submitting the charter application. Close communication and cooperation between the organizer and the proposed members are critical to the chartering process.

The Federal Credit Union Act requires that seven or more natural persons—the ''subscribers''—present to NCUA for approval a sworn organization certificate stating at a minimum:

- The name of the proposed federal credit union;
- The location of the proposed federal credit union and the territory in which it will operate;
- The names and addresses of the subscribers to the certificate and the number of shares subscribed by each;
- The initial par value of the shares;
- The detailed proposed field of membership; and
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- The fact that the certificate is made to enable such persons to avail themselves of the advantages of the Federal Credit Union Act.

Willfully and knowingly making false statements on any of the required documentation filed in obtaining a federal credit union charter may be grounds for federal criminal prosecution under 18 U.S.C. 1001.

IV—Economic Advisability

IV.A—General

Before chartering a federal credit union, NCUA must be satisfied that the institution will be viable and that it will provide needed services to its members. Economic advisability, which is a key factor in determining whether a potential charter will have a reasonable opportunity to succeed, is

[90] Public Law 105–277, 112 Stat. 2681 (1998).

[91] 5 U.S.C. 551.

[92] 12 U.S.C. 1751 *et seq.*

essential in order to qualify for a credit union charter.

NCUA will conduct an independent on-site investigation of each charter application to ensure that the proposed credit union can be successful. In general, the success of any credit union depends on: (a) The character and fitness of management; (b) the depth of the members' support; and (c) present and projected market conditions.

IV.B—Proposed Management's Character and Fitness

The Federal Credit Union Act requires NCUA to ensure that the subscribers are of good ''general character and fitness.'' Prospective officials and employees will be the subject of credit and background investigations. The investigation report must demonstrate each applicant's ability to effectively handle financial matters. Employees and officials should also be competent, experienced, honest and of good character. Factors that may lead to disapproval of a prospective official or employee include criminal convictions, indictments, and acts of fraud and dishonesty. Further, factors such as serious or unresolved past due credit obligations and bankruptcies disclosed during credit checks may disqualify an individual.

NCUA also needs reasonable assurance that the management team will have the requisite skills—particularly in leadership and accounting—and the commitment to dedicate the time and effort needed to make the proposed federal credit union a success.

Section 701.14 of NCUA's Rules and Regulations sets forth the procedures for NCUA approval of officials of newly chartered credit unions. If the application of a prospective official or employee to serve is not acceptable to the Office of Consumer Financial Protection and Access Director, the group can propose an alternate to act in that individual's place. If the charter applicant feels it is essential that the disqualified individual be retained, the individual may appeal the Office of Consumer Financial Protection and Access Director's decision to the NCUA Board. If an appeal is pursued, action on the application may be delayed. If the appeal is denied by the NCUA Board, an acceptable new applicant must be provided before the charter can be approved.

IV.C—Member Support

Economic advisability is a major factor in determining whether the credit union will be chartered. An important consideration is the degree of support from the field of membership. The charter applicant must be able to demonstrate that membership support is sufficient to ensure viability.

NCUA has not set a minimum field of membership size for chartering a federal credit union. Consequently, groups of any size may apply for a credit union charter and be approved if they demonstrate economic advisability. However, it is important to note that often the size of the group is indicative of the potential for success. For that reason, a charter application with fewer than 3,000 primary potential members (*e.g.,* employees of a corporation or members of an association) may not be economically advisable. Therefore, a charter applicant with a proposed field of membership of fewer than 3,000 primary potential members may have to provide more support than an applicant with a larger field of membership. For example, a small occupational or associational group may be required to demonstrate a commitment for long-term support from the sponsor.

IV.D—Present and Future Market Conditions—Business Plan

The ability to provide effective service to members, to compete in the marketplace, and to adapt to changing market conditions are key to the survival of any enterprise. Before NCUA will charter a credit union, a business plan based on realistic and supportable projections and assumptions must be submitted.

The business plan should contain, at a minimum, the following elements:

- Mission statement;
- Analysis of market conditions, including if applicable, geographic, demographic, employment, income, housing, and other economic data;
- Evidence of member support;
- Goals for shares, loans, and for number of members;
- Financial services needed/desired;
- Financial services to be provided to members of all segments within the field of membership;
- How/when services are to be implemented;
- Organizational/management plan addressing qualification and planned training of officials/employees;
- Continuity plan for directors, committee members and management staff;
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- Operating facilities, to include office space/equipment and supplies, safeguarding of assets, insurance coverage, etc.;
- Type of record-keeping and data processing system;
- Detailed semiannual pro forma financial statements (balance sheet, income and expense projections) for 1st and 2nd year, including assumptions—*e.g.,* loan and dividend rates;
- Plans for operating independently;
- Written policies (shares, lending, investments, funds management, capital accumulation, dividends, collections, etc.);
- Source of funds to pay expenses during initial months of operation, including any subsidies, assistance, etc., and terms or conditions of such resources; and
- Evidence of sponsor commitment (or other source of support) if subsidies are critical to success of the federal credit union. Evidence may be in the form of letters, contracts, financial statements from the sponsor, and any other such document on which the proposed federal credit union can substantiate its projections.

While the business plan may be prepared with outside assistance, the subscribers and proposed officials must understand and support the submitted business plan.

V—Steps in Organizing a Federal Credit Union

V.A—Getting Started

Following the guidance contained throughout this policy, the organizers should submit wording for the proposed field of membership (the persons, organizations and other legal entities the credit union will serve) to NCUA early in the application process for written preliminary approval. The proposed field of membership must meet all common bond or community requirements.

Once the field of membership has been given preliminary approval, the organizer should conduct an organizational meeting to elect seven to ten persons to serve as subscribers. The subscribers should locate willing individuals capable of serving on the board of directors, credit committee, supervisory committee, and as chief operating officer/manager of the proposed credit union.

Subsequent organizational meetings may be held to discuss the progress of the charter investigation, to announce the proposed slate of officials, and to respond to any questions posed at these meetings.

If NCUA approves the charter application, the subscribers, as their final duty, will elect the board of directors of the proposed federal credit union. The new board of directors will then appoint the supervisory committee.

V. B—Charter Application Documentation

V.B.1—General

As discussed previously in this Chapter, the organizer of a federal credit union charter must, at a minimum, provide evidence that:

- The group(s) possess an appropriate common bond or the geographical area to be served is a well-defined local community, neighborhood, or rural district;
- The subscribers, prospective officials, and employees are of good character and fitness; and
- The establishment of the credit union is economically advisable.

As part of the application process, the organizer must submit the following forms, which are available in appendix 4 of this Manual:

- Federal Credit Union Investigation Report, NCUA 4001;
- Organization Certificate, NCUA 4008;
-
- Report of Official and Agreement To Serve, NCUA 4012;
- Application and Agreements for Insurance of Accounts, NCUA 9500; and
- Certification of Resolutions, NCUA 9501.

Each of these forms is described in more detail in the following sections.

V.B.2—Federal Credit Union Investigation Report, NCUA 4001

The application for a new federal credit union will be submitted on NCUA 4001. State-chartered credit unions applying for conversion to a federal charter will use NCUA 4000. (See Chapter 4 for a full discussion.) The organizer is required to certify the information and recommend approval or disapproval, based on the investigation of the request.

V.B.3—Organization Certificate, NCUA 4008

This document, which must be completed by the subscribers, includes the seven criteria established by the Federal Credit Union Act. NCUA staff assigned to the case will assist in the proper completion of this document.

V.B.4—Report of Official and Agreement To Serve, NCUA 4012

This form documents general background information of each official and employee of the proposed federal credit union. Each official and employee must complete and sign this form. The organizer must review each of the NCUA 4012s for elements that would prevent the prospective official or employee from serving. Further, such factors as serious, unresolved past due credit obligations and bankruptcies disclosed during credit checks may disqualify an individual.

V.B.5—Application and Agreements for Insurance of Accounts, NCUA 9500

This document contains the agreements with which federal credit unions must comply in order to obtain National Credit Union Share Insurance Fund (NCUSIF) coverage of member accounts. The document must be completed and signed by both the chief executive officer and chief financial officer. A federal credit union must qualify for federal share insurance.

V.B. 5—Certification of Resolutions, NCUA 9501

This document certifies that the board of directors of the proposed federal credit union has resolved to apply for NCUSIF insurance of member accounts and has authorized the chief executive officer and recording officer to execute the Application and Agreements for Insurance of Accounts. Both the chief executive officer and recording officer of the proposed federal credit union must sign this form.

VI—Name Selection

It is the responsibility of the federal credit union organizers or officials of an existing credit union to ensure that the proposed federal credit union name or federal credit union name change does not constitute an infringement on the name of any corporation in its trade area. This responsibility also includes researching any service marks or trademarks used by any other corporation (including credit unions) in its trade area. NCUA will ensure, to the extent possible, that the credit union's name:

- Is not already being officially used by another federal credit union;
- Will not be confused with NCUA or another federal or state agency, or with another credit union; and
- Does not include misleading or inappropriate language.

The last three words in the name of every credit union chartered by NCUA must be ''Federal Credit Union.''

The word ''community,'' while not required, can only be included in the name of federal credit unions that have been granted a community charter.

VII—NCUA Review

VII.A—General

Once NCUA receives a complete charter application package, an acknowledgment of receipt will be sent to the organizer. During the review process, a staff member will be assigned to perform an on-site contact with the proposed officials and others having an interest in the proposed federal credit union.

NCUA staff will review the application package and verify its accuracy and reasonableness. A staff member will inquire into the financial management experience and the suitability and commitment of the proposed officials and employees, and will make an assessment of economic advisability. The staff member will also provide guidance to the subscribers in the proper completion of the Organization Certificate, NCUA 4008.

Credit and background investigations may be conducted concurrently by NCUA with other work being performed by the organizer and subscribers to reduce the likelihood of delays in the chartering process.

The staff member will analyze the prospective credit union's business plan for realistic projections, attainable goals, adequate service to all segments of the field of membership, sufficient start-up capital, and time commitment by the proposed officials and employees. Any concerns will be reviewed with the organizer and discussed with the prospective credit union's officials. Additional on-site contacts by NCUA staff may be necessary. The organizer and subscribers will be expected to take the steps necessary to resolve any issues or concerns. Such resolution efforts may delay processing the application.

NCUA staff will then make a recommendation to the Office of Consumer Financial Protection and Access Director regarding the charter application. The recommendation may include specific provisions to be included in a Letter of Understanding and Agreement. In most cases, NCUA will require the prospective officials to adhere to certain operational guidelines. Generally, the agreement is for a limited term of two to four years. A sample Letter of Understanding and Agreement is found in appendix 2.

VII.B—Office of Consumer Financial Protection and Access Director Approval

Once approved, the board of directors of the newly formed federal credit union will receive a signed charter and standard bylaws from the Office of Consumer Financial Protection and Access Director. Additionally, the officials will be advised of the name of the examiner assigned responsibility for supervising and examining the credit union.

VII.C—Office of Consumer Financial Protection and Access Director Disapproval

When the Office of Consumer Financial Protection and Access Director disapproves any charter application, in whole or in part, the organizer will be informed in writing of the specific reasons for the disapproval. Where applicable, the Office of Consumer Financial Protection and Access Director will provide information concerning options or suggestions that the applicant could consider for gaining approval or otherwise acquiring credit union service. The letter of denial will include the procedures for appealing the decision.

VII.D—Appeal of Office of Consumer Financial Protection and Access Director Decision

If the Office of Consumer Financial Protection and Access Director denies a charter application, in whole or in part, that decision may be appealed to the NCUA Board. An appeal must be sent to the NCUA Board Secretary within 60 days of the date of denial and must address the specific reasons for denial. The appeal must be clearly identified as such and address the specific reason(s) the prospective group disagrees with the denial. A copy of the appeal must be sent to the Office of Consumer Financial Protection and Access Director. NCUA central office staff will make an independent review of the facts and present the appeal with a recommendation to the NCUA Board.

Before appealing, the prospective group may, within 30 days of the denial, provide supplemental information to the Office of Consumer Financial Protection and Access Director for reconsideration. A reconsideration will contain new and material evidence addressing the reasons for the initial denial. The Office of Consumer Financial Protection and Access Director will have 30 days from the date of the receipt of the request for reconsideration to make a final decision. If the request is again denied, the applicant may proceed with the appeal process within 60 days of the date of the last denial. A second request for reconsideration will be treated as an appeal to the NCUA Board.

VII.E—Commencement of Operations

Assistance in commencing operations is generally available through the various credit union trade organizations listed in appendix 5.

All new federal credit unions are also encouraged to establish a mentor relationship with a knowledgeable, experienced credit union individual or an existing, well-operated credit union. The mentor should provide guidance and assistance to the new credit union through attendance at meetings and general oversight. Upon request, NCUA will provide assistance in finding a qualified mentor.

VIII—Future Supervision

Each federal credit union will be examined regularly by NCUA to determine that it remains in compliance with applicable laws and regulations and to determine that it does not pose undue risk to the NCUSIF. The examiner will contact the credit union officials shortly after approval of the charter in order to arrange for the initial examination (usually within the first six months of operation).

The examiner will be responsible for monitoring the progress of the credit union and providing the necessary advice and guidance to ensure it is in compliance with applicable laws and regulations. The examiner will also monitor compliance with the terms of any required Letter of

Understanding and Agreement. Typically, the examiner will require the credit union to submit copies of monthly board minutes and financial statements.

The Federal Credit Union Act requires all newly chartered credit unions, up to two years after the charter anniversary date, to obtain NCUA approval prior to appointment of any new board member, credit or supervisory committee member, or senior executive officer. Section 701.14 of the NCUA Rules and Regulations sets forth the notice and application requirements. If NCUA issues a Notice of Disapproval, the newly chartered credit union is prohibited from making the change.

NCUA may disapprove an individual serving as a director, committee member or senior executive officer if it finds that the competence, experience, character, or integrity of the individual indicates it would not be in the best interests of the members of the credit union or of the public to permit the individual to be employed by or associated with the credit union. If a Notice of Disapproval is issued, the credit union may appeal the decision to the NCUA Board.

IX—Corporate Federal Credit Unions

A corporate federal credit union is one that is operated primarily for the purpose of serving other credit unions. Corporate federal credit unions are not governed by this manual, but instead operate under and are administered by the NCUA Office of National Examinations and Supervision.

X—Groups Seeking Credit Union Service

NCUA will attempt to assist any group in chartering a credit union or joining an existing credit union. If the group is not eligible for federal credit union service, NCUA will refer the group to the appropriate state supervisory authority where different requirements may apply.

XI—Field of Membership Designations

NCUA will designate a credit union based on the following criteria:

Single Occupational: If a credit union serves a single occupational sponsor, such as ABC Corporation, it will be designated as an occupational credit union. A single occupational common bond credit union may also serve a trade, industry, or profession (TIP), such as all teachers.

Single Associational: If a credit union serves a single associational sponsor, such as the Knights of Columbus, it will be designated as an associational credit union.

Multiple Common Bond: If a credit union serves more than one group, each of which has a common bond of occupation and/or association, it will be designated as a multiple common bond credit union.

Community: All community credit unions will be designated as such, followed by a description of their geographic boundaries, including but not limited to city or county boundaries, roadways, rivers, transportation lines.

Credit unions desiring to confirm or submit an application to change their designations should contact the Office of Consumer Financial Protection and Access.

XII—Foreign Branching

A federal credit union is permitted to serve foreign nationals within its field of membership wherever such individuals reside if management has the ability and resources to serve them. Before a credit union opens a branch outside the United States, it must submit an application to do so and have prior written approval of the regional director or Office of National Examinations and Supervision Director. A federal credit union may establish a service facility on a United States military installation or United States embassy without prior NCUA approval.

Chapter 2 — Field of Membership Requirements for Federal Credit Unions

I—Introduction

I.A.1—General

As set forth in Chapter 1, the Federal Credit Union Act provides for three types of federal credit union charters—single common bond (occupational or associational), multiple common bond (multiple groups), and community. Section 109 (12 U.S.C. 1759) of the Federal Credit Union Act addresses the membership requirements for each type of charter.

The field of membership, which is specified in Section 5 of the charter, defines those persons and entities eligible for membership. A single common bond federal credit union consists of one group having a common bond of occupation or association. A multiple common bond federal credit union consists of more than one group, each of which has a common bond of occupation or association. A community federal credit union consists of persons or organizations within a well-defined local community, neighborhood, or rural district.

Once chartered, a federal credit union can amend its field of membership; however, the same common bond or community requirements for chartering the credit union must be satisfied. Since there are differences in the three types of charters, special rules apply to each, which are fully discussed in the following sections of this Chapter.

I.A. 2—Special Low-Income Rules

Generally, federal credit unions can only grant loans and provide services to persons who have joined the credit union. The Federal Credit Union Act states that one of the purposes of federal credit unions is ''to serve the productive and provident credit needs of individuals of modest means.'' Although field of membership requirements are applicable, special rules set forth in Chapter 3 may apply to low-income designated credit unions and those credit unions assisting low-income groups or to a federal credit union that adds an underserved community to its field of membership.

II—Occupational Common Bond

II.A.1—General

A single occupational common bond federal credit union may include in its field of membership all persons and entities who share that common bond. NCUA permits a person's membership eligibility in a single occupational common bond group to be established in five ways:

- Employment (or a contractual relationship equivalent to employment) in a single corporation or other legal entity makes that person part of a single occupational common bond;
- Employment in a corporation or other legal entity with a controlling ownership interest (which shall not be less than 10 percent) in or by another legal entity makes that person part of a single occupational common bond;
- Employment in a corporation or other legal entity which is related to another legal entity (such as a company under contract and possessing a strong dependency relationship with another company) makes that person part of a single occupational common bond;
- Employment or attendance at a school makes that person part of a single occupational common bond (see Chapter 2, Section III.A.1); or
- Employment in the same Trade, Industry, or Profession (TIP) (see Chapter 2, Section II.A.2).

A geographic limitation is not a requirement for a single occupational common bond. However, for purposes of describing the field of membership, the geographic areas being served may be included in the charter. For example:

- Employees, officials, and persons who work regularly under contract in Miami, Florida for ABC Corporation and subsidiaries;
- Employees of ABC Corporation who are paid from * * *;
- Employees of ABC Corporation who are supervised from * * *;
- Employees of ABC Corporation who are headquartered in * * *; and/or
- Employees of ABC Corporation who work in the United States.

The corporation or other legal entity (*i.e.,* the employer) may also be included in the common bond—*e.g.,* ''ABC Corporation.'' The corporation or legal entity will be defined in the last clause in Section 5 of the credit union's charter.

A charter applicant must provide documentation to establish that the single occupational common bond requirement has been met.

Some examples of valid single occupational common bonds are:

- Employees of the Hunt Manufacturing Company who work in West Chester, Pennsylvania. (common bond—same employer with geographic definition);
- Employees of the Buffalo Manufacturing Company who work in the United States. (common bond—same employer with geographic definition);
- Employees, elected and appointed officials of municipal government in Parma, Ohio. (common bond—same employer with geographic definition);
- Employees of Johnson Soap Company and its majority owned subsidiary, Johnson Toothpaste Company, who work in, are paid from, are supervised from, or are headquartered in Augusta and Portland, Maine. (common bond—parent and subsidiary company with geographic definition);
-
- Employees of MMLLJS contractor who work regularly at the U.S. Naval Shipyard in

Bremerton, Washington. (common bond—employees of contractors with geographic definition);

• Employees, doctors, medical staff, technicians, medical and nursing students who work in or are paid from the Newport Beach Medical Center, Newport Beach, California. (single corporation with geographic definition);

• Employees of JLS, Incorporated and MJM, Incorporated working for the LKM Joint Venture Company in Catalina Island, California. (common bond—same employer—ongoing dependent relationship);

• Employees of and students attending Georgetown University. (common bond—same occupation);

• Employees of all the schools supervised by the Timbrook Board of Education in Timbrook, Georgia. (common bond—same employer); or

• All licensed nurses in Fairfax County, Virginia. (occupational common bond TIP).

In contrast, some examples of insufficiently defined single occupational common bonds are:

• Employees of manufacturing firms in Seattle, Washington. (no defined occupational sponsor; overly broad TIP);

• Persons employed or working in Chicago, Illinois. (no occupational common bond).

II.A. 2—Trade, Industry, or Profession

A common bond based on employment in a trade, industry, or profession can include employment at any number of corporations or other legal entities that—while not under common ownership—have a common bond by virtue of producing similar products, providing similar services, or participating in the same type of business.

While proposed or existing single common bond credit unions have some latitude in defining a trade, industry, or profession occupational common bond, it cannot be defined so broadly as to include groups in fields which are not closely related. For example, the manufacturing industry, energy industry, communications industry, retail industry, or entertainment industry would not qualify as a TIP because each industry lacks the necessary commonality. However, textile workers, realtors, nurses, teachers, police officers, or U.S. military personnel are closely related and each would qualify as a TIP.

The common bond relationship must be one that demonstrates a narrow commonality of interests within a specific trade, industry, or profession. If a credit union wants to serve a physician TIP, it can serve all physicians, but that does not mean it can also serve all clerical staff in the physicians' offices. However, if the TIP is based on the health care industry, then clerical staff would be able to be served by the credit union because they work in the same industry and have the same commonality of interests.

If a credit union wants to include the airline services industry, it can serve airline and airport personnel but not passengers. Clients or customers of the TIP are not eligible for credit union membership (*e.g.,* patients in hospitals). Any company that is involved in more than one industry cannot be included in an industry TIP (*e.g.,* a company that makes tobacco products, food products, and electronics). However, employees of these companies may be eligible for membership in a variety of trade/profession occupational common bond TIPs.

Although a TIP should be narrowly defined, and ordinarily would not include third-party vendors and other suppliers, it may include, on a case by case basis, employees of types of entities that have a ''strong dependency relationship'' and work directly with other types of entities within the industry. In this context, a ''strong dependency relationship'' between a TIP entity and its supplier/vendor must be demonstrated by their reliance on each other as measured by the presence of indicators of a likelihood that the absence of one would cause the other to suffer a material decline in either revenue, functionality or productivity.

Under this definition, a firm whose employees are specially trained to protect nuclear facilities, and whose employees work primarily at such facilities, could be a part of a TIP based on the firm's participation in the nuclear energy industry.

Other ''strong relationship'' indicators NCUA would consider include the regularity or frequency of work that employees of the entity perform at facilities directly related to the industry, or the degree to which employees must adjust their work practices to adapt to the needs of the industry. For example, a company's focus on producing specialized confectionary products for a hotel chain could add that company to a hospitality industry TIP. A credit union seeking to include a clause of this type in its TIP charter must provide a brief narrative identifying indicators that support the existence of a strong dependency relationship between the TIP entity and its individual supplier/vendors.

Likewise, an FCU may serve employees of companies within the commercial airline industry that have a strong dependency relationship with airlines or airports, without the limitation that these employees work at an airport. However, these employees must work directly with the following: Air transportation of freight, air courier services; air passenger services; airport baggage handling; airport security; commercial airport janitorial services; maintenance, servicing, and repair services; and on board airline food services. The employees of those entities have a narrow commonality of interests, share the single occupational common bond, and can be included within the Air Transportation Industry field of membership.

In general, except for credit unions serving a national field of membership or operating in multiple states, a geographic limitation is required for a TIP credit union. The geographic limitation will be part of the credit union's charter and generally correspond to its current or planned operational area. More than one federal credit union may serve the same trade, industry, or profession, even if both credit unions are in the same geographic location.

This type of occupational common bond is only available to single common bond credit unions. A TIP cannot be added to a multiple common bond or community field of membership.

To obtain a TIP designation, the proposed or existing credit union must submit a request to the Office of Consumer Financial Protection and Access Director. New charter applicants must follow the documentation requirements in Chapter 1. New charter applicants and existing credit unions must submit a business plan on how the credit union will serve the group with the request to serve the TIP. The business plan also must address how the credit union will verify the TIP. Examples of such verification include state licenses, professional licenses, organizational memberships, pay statements, union membership, or employer certification. The Office of Consumer Financial Protection and Access Director must approve this type of field of membership before a credit union can serve a TIP. Credit unions converting to a TIP can retain members of record but cannot add new members from its previous group or groups, unless the group or groups are part of the TIP.

Section II.B on Occupational Common Bond Amendments does not apply to a TIP common bond. Removing or changing a geographical limitation will be processed as a housekeeping amendment. If safety and soundness concerns are present, the Office of Consumer Financial Protection and Access Director may require additional information before the request can be processed.

Section II.H, on Other Persons Eligible for Credit Union Membership, applies to TIP based credit unions except for the corporate account provision which only applies to industry based TIPs. Credit unions with industry based TIPs may include corporations as members because they have the same commonality of interests as all employees in the industry. For example, an airline service TIP (industry) can serve an airline carrier (corporate account); however, a nurses TIP (profession) could not serve a hospital (corporate account) because not everyone working in the hospital shares the same profession.

If a TIP designated credit union wishes to convert to a different TIP or employer-based occupational common bond, or different charter type, it only retains members of record after the conversion. The Office of Consumer Financial Protection and Access Director, for safety and soundness reasons, may approve a TIP designated credit union to convert to its original field of membership.

II.B—Occupational Common Bond Amendments

II.B.1—General

Section 5 of every single occupational federal credit union's charter defines the field of membership the credit union can legally serve. Only those persons or legal entities specified in the field of membership can be served. There are a number of instances in which Section 5 must be amended by NCUA.

First, a group sharing the credit union's common bond is added to the field of membership. This may occur through various ways including agreement between the group and the credit union directly, or through a

merger, corporate acquisition, purchase and assumption (P&A), or spin-off.

Second, if the entire field of membership is acquired by another corporation, the credit union can serve the employees of the new corporation and any subsidiaries after receiving NCUA approval.

Third, a federal credit union qualifies to change its common bond from:

- A single occupational common bond to a single associational common bond;
-
- A single occupational common bond to a community charter; or
- A single occupational common bond to a multiple common bond.

Fourth, a federal credit union removes a portion of the group from its field of membership through agreement with the group, a spin-off, or because a portion of the group is no longer in existence.

An existing single occupational common bond federal credit union that submits a request to amend its charter must provide documentation to establish that the occupational common bond requirement has been met. The Office of Consumer Financial Protection and Access Director must approve all amendments to an occupational common bond credit union's field of membership.

II.B.Restructuring

If the single common bond group that comprises a federal credit union's field of membership undergoes a substantial restructuring, the result is often that portions of the group are sold or spun off. This requires a change to the credit union's field of membership. NCUA will not permit a single common bond credit union to maintain in its field of membership a sold or spun-off group to which it has been providing service unless the group otherwise qualifies for membership in the credit union or the credit union converts to a multiple common bond credit union.

If the group comprising the single common bond of the credit union merges with, or is acquired by, another group, the credit union can serve the new group resulting from the merger or acquisition after receiving a housekeeping amendment.

II.B.3—Economic Advisability

Prior to granting a common bond expansion, NCUA will examine the amendment's likely effect on the credit union's operations and financial condition. In most cases, the information needed for analyzing the effect of adding a particular group will be available to NCUA through the examination and financial and statistical reports; however, in particular cases, the Office of Consumer Financial Protection and Access Director may require additional information prior to making a decision.

II.B.Documentation Requirements

A federal credit union requesting a common bond expansion must submit an Application for Field of Membership Amendment (NCUA 4015–EZ) to the Office of Consumer Financial Protection and Access Director. An authorized credit union representative must sign the request.

II.C—NCUA's Procedures for Amending the Field of Membership

II.C.1—General

All requests for approval to amend a federal credit union's charter must be submitted to the Office of Consumer Financial Protection and Access Director.

II.C.2—Office of Consumer Financial Protection and Access Director Decision

NCUA staff will review all amendment requests in order to ensure compliance with NCUA policy.

Before acting on a proposed amendment, the Office of Consumer Financial Protection and Access Director may require an on-site review. In addition, the Office of Consumer Financial Protection and Access Director may, after taking into account the significance of the proposed field of membership amendment, require the applicant to submit a business plan addressing specific issues.

The financial and operational condition of the requesting credit union will be considered in every instance. NCUA will carefully consider the economic advisability of expanding the field of membership of a credit union with financial or operational problems.

In most cases, field of membership amendments will only be approved for credit unions that are operating satisfactorily. Generally, if a federal credit union is having difficulty providing service to its current membership, or is experiencing financial or other operational problems, it may have more difficulty serving an expanded field of membership.

Occasionally, however, an expanded field of membership may provide the basis for reversing current financial problems. In such cases, an amendment to expand the field of membership may be granted notwithstanding the credit union's financial or operational problems. The applicant credit union must clearly establish that the expanded field of membership is in the best interest of the members and will not increase the risk to the NCUSIF.

II.C.3—Office of Consumer Financial Protection and Access Director Approval

If the Office of Consumer Financial Protection and Access Director approves the requested amendment, the credit union will be issued an amendment to Section 5 of its charter.

II.C.4—Office of Consumer Financial Protection and Access Director Disapproval

When the Office of Consumer Financial Protection and Access Director disapproves any application, in whole or in part, to amend the field of membership under this chapter, the applicant will be informed in writing of the:

- Specific reasons for the action;
- Options to consider, if appropriate, for gaining approval; and
- Appeal procedure.

II.C.5—Appeal of Office of Consumer Financial Protection and Access Director Decision

If a field of membership expansion request, merger, or spin-off is denied by staff, the federal credit union may appeal the decision to the NCUA Board. An appeal must be sent to the NCUA Board Secretary within 60 days of the date of denial. The appeal must be clearly identified as such and must address the specific reason(s) the federal credit union disagrees with the denial. A copy of the appeal must be sent to the Office of Consumer Financial Protection and Access, or as applicable, the appropriate regional office or Office of National Examinations and Supervision Director. NCUA central office staff will make an independent review of the facts and present the appeal to the Board with a recommendation.

Before appealing, the credit union may, within 30 days of the denial, provide supplemental information to the office rendering the initial decision for reconsideration. A reconsideration will contain new and material evidence addressing the reasons for the initial denial. The office rendering the initial decision will have 30 days from the date of the receipt of the request for reconsideration to make a final decision. If the request is again denied, the applicant may proceed with the appeal process within 60 days of the date of the last denial. A second request for reconsideration will be treated as an appeal to the NCUA Board.

II.D—Mergers, Purchase and Assumptions, and Spin–Offs

In general, other than the addition of common bond groups, there are three additional ways a federal credit union with a single occupational common bond can expand its field of membership:

- By taking in the field of membership of another credit union through a common bond or emergency merger;
- By taking in the field of membership of another credit union through a common bond or emergency purchase and assumption (P&A); or
- By taking a portion of another credit union's field of membership through a common bond spin-off.

II.D.1—Mergers

Generally, the requirements applicable to field of membership expansions found in this chapter apply to mergers where the continuing credit union has a federal charter. That is, the two credit unions must share a common bond.

Where the merging credit union is state-chartered, the common bond rules applicable to a federal credit union apply.

Mergers must be approved by the NCUA regional director or Office of National Examinations and Supervision Director where the continuing credit union is headquartered, with the concurrence of the regional director or Office of National Examinations and Supervision Director of the merging credit union, and, as applicable, the state regulators.

If a single occupational credit union wants to merge into a multiple common bond or

community credit union, Section IV.D or Section V.D of this Chapter, respectively, should be reviewed.

II.D.Emergency Mergers

An emergency merger may be approved by NCUA without regard to common bond or other legal constraints. An emergency merger involves NCUA's direct intervention and approval. The credit union to be merged must either be insolvent or in danger of insolvency, as defined in the Glossary, and NCUA must determine that:

- An emergency requiring expeditious action exists;
- Other alternatives are not reasonably available; and
- The public interest would best be served by approving the merger.

If not corrected, conditions that could lead to insolvency include, but are not limited to:

- Abandonment by management;
- Loss of sponsor;
- Serious and persistent recordkeeping problems; or
-
- Serious and persistent operational concerns.

In an emergency merger situation, NCUA will take an active role in finding a suitable merger partner (continuing credit union). NCUA is primarily concerned that the continuing credit union has the financial strength and management expertise to absorb the troubled credit union without adversely affecting its own financial condition and stability.

As a stipulated condition to an emergency merger, the field of membership of the merging credit union may be transferred intact to the continuing federal credit union without regard to any common bond restrictions. Under this authority, therefore, a single occupational common bond federal credit union may take into its field of membership any dissimilar charter type.

The common bond characteristic of the continuing credit union in an emergency merger does not change. That is, even though the merging credit union is a multiple common bond or community, the continuing credit union will remain a single common bond credit union. Similarly, if the merging credit union is also an unlike single common bond, the continuing credit union will remain a single common bond credit union. Future common bond expansions will be based on the continuing credit union's original single common bond.

Emergency mergers involving federally insured credit unions in different NCUA field regions must be approved by the regional director or Office of National Examinations and Supervision Director where the continuing credit union is headquartered, with the concurrence of the regional director or Office of National Examinations and Supervision Director of the merging credit union and, as applicable, the state regulators.

II.D.Purchase and Assumption (P&A)

Another alternative for acquiring the field of membership of a failing credit union is through a consolidation known as a P&A. A P&A has limited application because, in most cases, the failing credit union must be placed into involuntary liquidation. In the few instances where a P&A may be appropriate, the assuming federal credit union, as with emergency mergers, may acquire the entire field of membership if the emergency merger criteria are satisfied. However, if the P&A does not meet the emergency merger criteria, it must be processed under the common bond requirements.

In a P&A processed under the emergency criteria, specified loans, shares, and certain other designated assets and liabilities, without regard to common bond restrictions, may also be acquired without changing the character of the continuing federal credit union for purposes of future field of membership amendments.

If the purchased and/or assumed credit union's field of membership does not share a common bond with the purchasing and/or assuming credit union, then the continuing credit union's original common bond will be controlling for future common bond expansions.

P&As involving federally insured credit unions in different NCUA regions must be approved by the regional director or Office of National Examinations and Supervision Director where the continuing credit union is headquartered, with the concurrence of the regional director or Office of National Examinations and Supervision Director of the purchased and/or assumed credit union and, as applicable, the state regulators.

II.D.4—Spin-Offs

A spin-off occurs when, by agreement of the parties, a portion of the field of membership, assets, liabilities, shares, and capital of a credit union are transferred to a new or existing credit union. A spin-off is unique in that usually one credit union has a field of membership expansion and the other loses a portion of its field of membership.

All common bond requirements apply regardless of whether the spun-off group becomes a new credit union or goes to an existing federal charter.

The request for approval of a spin-off must be supported with a plan that addresses, at a minimum:

- Why the spin-off is being requested;
- What part of the field of membership is to be spun off;
- Whether the affected credit unions have a common bond (applies only to single occupational credit unions);
- Which assets, liabilities, shares, and capital are to be transferred;
- The financial impact the spin-off will have on the affected credit unions;
- The ability of the acquiring credit union to effectively serve the new members;
- The proposed spin-off date; and
- Disclosure to the members of the requirements set forth above.

The spin-off request must also include current financial statements from the affected credit unions and the proposed voting ballot.

For federal credit unions spinning off a group, membership notice and voting requirements and procedures are the same as for mergers (see part 708 of the NCUA Rules and Regulations), except that only the members directly affected by the spin-off—those whose shares are to be transferred—are permitted to vote. Members whose shares are not being transferred will not be afforded the opportunity to vote. All members of the group to be spun off (whether they voted in favor, against, or not at all) will be transferred if the spin-off is approved by the voting membership. Voting requirements for federally insured state credit unions are governed by state law.

Spin-offs involving federally insured credit unions in different NCUA regions must be approved by all regional directors and, if applicable, Office of National Examinations and Supervision Director where the credit unions are headquartered and the state regulators, as applicable. Spin-offs in the same region also require approval by the state regulator, as applicable. Spin-offs involving the creation of a new federally insured credit union require the approval of the Office of Consumer Financial Protection and Access Director. The Office of Consumer Financial Protection and Access also provides advice regarding field of membership compatibility when appropriate.

II.E—Overlaps

II.E.1—General

An overlap exists when a group of persons is eligible for membership in two or more credit unions. NCUA will permit single occupational federal credit unions to overlap any other charter without performing an overlap analysis.

II.E.Organizational Restructuring

A federal credit union's field of membership will always be governed by the common bond descriptions contained in Section 5 of its charter. Where a sponsor organization expands its operations internally, by acquisition or otherwise, the credit union may serve these new entrants to its field of membership if they are part of the common bond described in Section 5. NCUA will permit a complete overlap of the credit unions' fields of membership.

If a sponsor organization sells off a group, new members can no longer be served unless they otherwise qualify for membership in the credit union or it converts to a multiple common bond charter.

Credit unions must submit documentation explaining the restructuring and providing information regarding the new organizational structure.

II.E.3—Exclusionary Clauses

An exclusionary clause is a limitation precluding the credit union from serving the primary members of a portion of a group otherwise included in its field of membership. NCUA no longer grants exclusionary clauses. Those granted prior to the adoption of this new Chartering and Field of Membership Manual will remain in effect unless the credit unions agree to remove them or one of the affected credit unions submits a housekeeping amendment to have it removed.

II.F—Charter Conversion

A single occupational common bond federal credit union may apply to convert to a community charter provided the field of

membership requirements of the community charter are met. Groups within the existing charter which cannot qualify in the new charter cannot be served except for members of record, or groups or communities obtained in an emergency merger or P&A. A credit union must notify all groups that will be removed from the field of membership as a result of conversion. Members of record can continue to be served. Also, in order to support a case for a conversion, the applicant federal credit union may be required to develop a detailed business plan as specified in Chapter 2, Section V.A.3.

A single occupational common bond federal credit union may apply to convert to a multiple common bond charter by adding a non-common bond group that is within a reasonable proximity of a service facility. Groups within the existing charter may be retained and continue to be served. However, future amendments, including any expansions of the original single common bond group, must be done in accordance with multiple common bond policy.

II.G—Removal of Groups From the Field of Membership

A credit union may request removal of a portion of the common bond group from its field of membership for various reasons. The most common reasons for this type of amendment are:

- The group is within the field of membership of two credit unions and one wishes to discontinue service;
- The federal credit union cannot continue to provide adequate service to the group;
- The group has ceased to exist;
- The group does not respond to repeated requests to contact the credit union or refuses to provide needed support; or
- The group initiates action to be removed from the field of membership.

When a federal credit union requests an amendment to remove a group from its field of membership, the Office of Consumer Financial Protection and Access Director will determine why the credit union desires to remove the group. If the Office of Consumer Financial Protection and Access Director concurs with the request, membership will continue for those who are already members under the ''once a member, always a member'' provision of the Federal Credit Union Act.

II.H—Other Persons Eligible for Credit Union Membership

A number of persons, by virtue of their close relationship to a common bond group, may be included, at the charter applicant's option, in the field of membership. These include the following:

- Spouses of persons who died while within the field of membership of this credit union;
- Employees of this credit union;
- Persons retired as pensioners or annuitants from the above employment;
- Volunteers;
- Members of the immediate family or household;
-
- Honorably discharged veterans who served in any of the Armed Services of the United States listed in this charter;

Organizations of such persons; and

- Corporate or other legal entities in this charter.

Immediate family is defined as spouse, child, sibling, parent, grandparent, or grandchild. This includes stepparents, stepchildren, stepsiblings, and adoptive relationships.

Household is defined as persons living in the same residence maintaining a single economic unit.

Membership eligibility is extended only to individuals who are members of an ''immediate family or household'' of a credit union member. It is not necessary for the primary member to join the credit union in order for the immediate family or household member of the primary member to join, provided the immediate family or household clause is included in the field of membership. However, it is necessary for the immediate family member or household member to first join in order for that person's immediate family member or household member to join the credit union. A credit union can adopt a more restrictive definition of immediate family or household.

Volunteers, by virtue of their close relationship with a sponsor group, may be included. Examples include volunteers working at a hospital or school.

Under the Federal Credit Union Act, once a person becomes a member of the credit union, such person may remain a member of the credit union until the person chooses to withdraw or is expelled from the membership of the credit union. This is commonly referred to as ''once a member, always a member.'' The ''once a member, always a member'' provision does not prevent a credit union from restricting services to members who are no longer within the field of membership.

III—Associational Common Bond

III.A.1—General

A single associational federal credit union may include in its field of membership, regardless of location, all members and employees of a recognized association. A single associational common bond consists of individuals (natural persons) and/or groups (non-natural persons) whose members participate in activities developing common loyalties, mutual benefits, and mutual interests. Separately chartered associational groups can establish a single common bond relationship if they are integrally related and share common goals and purposes. For example, two or more churches of the same denomination, Knights of Columbus Councils, or locals of the same union can qualify as a single associational common bond. Individuals and groups eligible for membership in a single associational credit union can include the following:

- Natural person members of the association (for example, members of a union or church members);
- Non-natural person members of the association;
- Employees of the association (for example, employees of the labor union or employees of the church); and
- The association.

Generally, a single associational common bond does not include a geographic definition and can operate nationally. However, a proposed or existing federal credit union may limit its field of membership to a single association or geographic area. NCUA may impose a geographic limitation if it is determined that the applicant credit union does not have the ability to serve a larger group or there are other operational concerns. All single associational common bonds should include a definition of the group that may be served based on the association's charter, bylaws, and any other equivalent documentation.

Applicants for a single associational common bond federal credit union charter or a field of membership amendment to include an association must provide, at the request of NCUA, a copy of the association's charter, bylaws, or other equivalent documentation, including any legal documents required by the state or other governing authority. The associational sponsor itself may also be included in the field of membership—*e.g.,* ''Sprocket Association''—and will be shown in the last clause of the field of membership.

III.A.1.a—Threshold Requirement Regarding the Purpose for Which an Associational Group Is Formed and the Totality of the Circumstances Criteria

As a threshold matter, when reviewing an application to include an association in a federal credit union's field of membership, NCUA will determine if the association has been formed primarily for the purpose of expanding credit union membership. If NCUA makes such a determination, then the analysis ends and the association is denied inclusion in the federal credit union's field of membership. If NCUA determines that the association was formed to serve some other separate function as an organization, then NCUA will apply the following totality of the circumstances test to determine if the association satisfies the associational common bond requirements. The totality of the circumstances test consists of the following factors:

1. Whether the association provides opportunities for members to participate in the furtherance of the goals of the association;
2. Whether the association maintains a membership list;
1.
3. Whether the association sponsors other activities;
4. Whether the association's membership eligibility requirements are authoritative;
5. Whether members pay dues;
6. Whether the members have voting rights; to meet this requirement, members need not vote directly for an officer, but may vote for a delegate who in turn represents the members' interests;
7. The frequency of meetings; and
8. Separateness—NCUA reviews if there is corporate separateness between the group and the federal credit union. The group and the federal credit union must operate in a way that demonstrates the separate corporate existence of each entity. Specifically, this means the federal credit union's and the group's respective business transactions, accounts, and corporate records are not intermingled.

No one factor alone is determinative of membership eligibility as an association. The totality of the circumstances controls over any individual factor in the test. However, NCUA's primary focus will be on factors 1–4.

III.A.1.Pre-Approved Groups

NCUA automatically approves the below groups as satisfying the associational common bond provisions. NCUA only approves regular members of an approved group. Honorary, affiliate, or non-regular members do not qualify.

These groups are:

(1) Alumni associations;

(2) Religious organizations, including churches or groups of related churches;

(3) Electric cooperatives;

(4) Homeowner associations;

(1)

(5) Labor unions;

(6) Scouting groups;

(7) Parent teacher associations (PTAs) organized at the local level to serve a single school district;

(8) Chamber of commerce groups (members only and not employees of members);

(9) Athletic booster clubs whose members have voting rights;

(10) Fraternal organizations or civic groups with a mission of community service whose members have voting rights;

(11) Organizations having a mission based on preserving or furthering the culture of a particular national or ethnic origin; and

(12) Organizations promoting social interaction or educational initiatives among persons sharing a common occupational profession.

III.A.1.c—Additional Information

A support group whose members are continually changing or whose duration is temporary may not meet the single associational common bond criteria. Each class of member will be evaluated based on the totality of the circumstances. Individuals or honorary members who only make donations to the association are not eligible to join the credit union.

Student groups (*e.g.,* students enrolled at a public, private, or parochial school) may constitute either an associational or occupational common bond. For example, students enrolled at a church sponsored school could share a single associational common bond with the members of that church and may qualify for a federal credit union charter. Similarly, students enrolled at a university, as a group by itself, or in conjunction with the faculty and employees of the school, could share a single occupational common bond and may qualify for a federal credit union charter.

Tenant groups, consumer groups, and other groups of persons having an ''interest in'' a particular cause and certain consumer cooperatives may also qualify as an association.

Associations based primarily on a client-customer relationship do not meet associational common bond requirements. Health clubs are an example of a group not meeting associational common bond requirements, including YMCAs. However, having an incidental client-customer relationship does not preclude an associational charter as long as the associational common bond requirements are met. For example, a fraternal association that offers insurance, which is not a condition of membership, may qualify as a valid associational common bond.

III.A.2—Subsequent Changes to Association's Bylaws

If the association's membership or geographical definitions in its charter and bylaws are changed subsequent to the effective date stated in the field of membership, the credit union must submit the revised charter or bylaws for NCUA's consideration and approval prior to serving members of the association added as a result of the change.

III.A.3—Sample Single Associational Common Bonds

Some examples of associational common bonds are:

- Regular members of Locals 10 and 13, IBEW, in Florida, who qualify for membership in accordance with their charter and bylaws in effect on May 20, 2001;
- Members of the Hoosier Farm Bureau in Grant, Logan, or Lee Counties of Indiana, who qualify for membership in accordance with its charter and bylaws in effect on March 7, 1997;
- Members of the Shalom Congregation in Chevy Chase, Maryland;
-
- Regular members of the Corporate Executives Association, located in Westchester, New York, who qualify for membership in accordance with its charter and bylaws in effect on December 1, 1997;
- Members of the University of Wisconsin Alumni Association, located in Green Bay, Wisconsin;
- Members of the Marine Corps Reserve Officers Association; or
- Members of St. John's Methodist Church and St. Luke's Methodist Church, located in Toledo, Ohio.

Some examples of insufficiently defined single associational common bonds are:

- All Lutherans in the United States (too broadly defined); or
- Veterans of U.S. military service (group is too broadly defined; no formal association of all members of the group).

Some examples of unacceptable single associational common bonds are:

- Alumni of Amos University (no formal association);
- Customers of Fleetwood Insurance Company (policyholders or primarily customer/client relationships do not meet associational standards);
- Employees of members of the Reston, Virginia, Chamber of Commerce (not a sufficiently close tie to the associational common bond); or
- Members of St. John's Lutheran Church and St. Mary's Catholic Church located in Anniston, Alabama (churches are not of the same denomination).

III.B—Associational Common Bond Amendments

III.B.1—General

Section 5 of every associational federal credit union's charter defines the field of membership the credit union can legally serve. Only those persons who, or legal entities that, join the credit union and are specified in the field of membership can be served. There are three instances in which Section 5 must be amended by NCUA.

First, a group that shares the credit union's common bond is added to the field of membership. This may occur through various ways including agreement between the group and the credit union directly, or through a merger, purchase and assumption (P&A), or spin-off.

Second, a federal credit union qualifies to change its common bond from:

- A single associational common bond to a single occupational common bond;
- A single associational common bond to a community charter; or
- A single associational common bond to a multiple common bond.

Third, a federal credit union removes a portion of the group from its field of membership through agreement with the group, a spin-off, or a portion of the group that is no longer in existence.

An existing single associational federal credit union that submits a request to amend its charter must provide documentation to establish that the associational common bond requirement has been met. The Office of Consumer Financial Protection and Access Director must approve all amendments to an associational common bond credit union's field of membership.

III.B.Organizational Restructuring

If the single common bond group that comprises a federal credit union's field of membership undergoes a substantial restructuring, the result is often that portions of the group are sold or spun off. This is an event requiring a change to the credit union's field of membership. NCUA may not permit a single associational credit union to maintain in its field of membership a sold or spun-off group to which it has been providing service unless the group otherwise qualifies for membership in the credit union or the credit union converts to a multiple common bond credit union.

If the group comprising the single common bond of the credit union merges with, or is acquired by, another group, the credit union can serve the new group resulting from the merger or acquisition after receiving a housekeeping amendment.

III.B.3—Economic Advisability

Prior to granting a common bond expansion, NCUA will examine the amendment's likely impact on the credit union's operations and financial condition. In most cases, the information needed for analyzing the effect of adding a particular group will be available to NCUA through the examination and financial and statistical reports; however, in particular cases, the Office of Consumer Financial Protection and Access Director may require additional information prior to making a decision.

III.B.Documentation Requirements

A federal credit union requesting a common bond expansion must submit an Application for Field of Membership Amendment (NCUA 4015–EZ) to the Office of Consumer Financial Protection and Access Director. An authorized credit union representative must sign the request.

III.C—NCUA Procedures for Amending the Field of Membership

III.C.1—General

All requests for approval to amend a federal credit union's charter must be submitted to the Office of Consumer Financial Protection and Access Director.

III.C.C.2—Office of Consumer Financial Protection and Access Director Decision

NCUA staff will review all amendment requests in order to ensure conformance to NCUA policy.

Before acting on a proposed amendment, the Office of Consumer Financial Protection and Access Director may require an on-site review. In addition, the Office of Consumer Financial Protection and Access Director may, after taking into account the significance of the proposed field of membership amendment, require the applicant to submit a business plan addressing specific issues.

The financial and operational condition of the requesting credit union will be considered in every instance. The economic advisability of expanding the field of membership of a credit union with financial or operational problems must be carefully considered.

In most cases, field of membership amendments will only be approved for credit unions that are operating satisfactorily. Generally, if a federal credit union is having difficulty providing service to its current membership, or is experiencing financial or other operational problems, it may have more difficulty serving an expanded field of membership.

Occasionally, however, an expanded field of membership may provide the basis for reversing current financial problems. In such cases, an amendment to expand the field of membership may be granted notwithstanding the credit union's financial or operational problems. The applicant credit union must clearly establish that the expanded field of membership is in the best interest of the members and will not increase the risk to the NCUSIF.

III.C.3—Office of Consumer Financial Protection and Access Director Approval

If the Office of Consumer Financial Protection and Access Director approves the requested amendment, the credit union will be issued an amendment to Section 5 of its charter.

III.C.4—Office of Consumer Financial Protection and Access Director Disapproval

When the Office of Consumer Financial Protection and Access Director disapproves any application, in whole or in part, to amend the field of membership under this chapter, the applicant will be informed in writing of the:

- Specific reasons for the action;
- Options to consider, if appropriate, for gaining approval; and
- Appeal procedures.

III.C.5—Appeal of Office of Consumer Financial Protection and Access Director Decision

If a field of membership expansion request, merger, or spin-off is denied by staff, the federal credit union may appeal the decision to the NCUA Board. An appeal must be sent to the NCUA Board Secretary within 60 days of the date of denial and must be clearly identified as such and address the reason(s) the federal credit union disagrees with the denial. A copy of the appeal must be sent to the Office of Consumer Financial Protection and Access, or as applicable, the appropriate regional office or Office of National Examinations and Supervision Director. NCUA central office staff will make an independent review of the facts and present the appeal to the NCUA Board with a recommendation.

Before appealing, the credit union may, within 30 days of the denial, provide supplemental information to the office rendering the initial decision for reconsideration. A reconsideration will contain new and material evidence addressing the reasons for the initial denial. The office rendering the initial decision will have 30 days from the date of the receipt of the request for reconsideration to make a final decision. If the request is again denied, the applicant may proceed with the appeal process within 60 days of the date of the last denial. A second request for reconsideration will be treated as an appeal to the NCUA Board.

III.D—Mergers, Purchase and Assumptions, and Spin-Offs

In general, other than the addition of common bond groups, there are three additional ways a federal credit union with a single associational common bond can expand its field of membership:

- By taking in the field of membership of another credit union through a common bond or emergency merger;
- By taking in the field of membership of another credit union through a common bond or emergency purchase and assumption (P&A); or
- By taking a portion of another credit union's field of membership through a common bond spin-off.

III.D.1—Mergers

Generally, the requirements applicable to field of membership expansions found in this section apply to mergers where the continuing credit union is a federal charter. That is, the two credit unions must share a common bond.

Where the merging credit union is state-chartered, the common bond rules applicable to a federal credit union apply.

Mergers must be approved by the NCUA regional director or Office of National Examinations and Supervision Director where the continuing credit union is headquartered, with the concurrence of the regional director or Office of National Examinations and Supervision Director of the merging credit union, and, as applicable, the state regulators.

If a single associational credit union wants to merge into a multiple common bond or community credit union, Section IV.D or Section V.D of this Chapter, respectively, should be reviewed.

III.D.Emergency Mergers

An emergency merger may be approved by NCUA without regard to common bond or other legal constraints. An emergency merger involves NCUA's direct intervention and approval. The credit union to be merged must either be insolvent or in danger of insolvency, as defined in the Glossary, and NCUA must determine that:

- An emergency requiring expeditious action exists;
- Other alternatives are not reasonably available; and
- The public interest would best be served by approving the merger.

If not corrected, conditions that could lead to insolvency include, but are not limited to:

- Abandonment by management;
- Loss of sponsor;
- Serious and persistent record-keeping problems; or
- Serious and persistent operational concerns.

In an emergency merger situation, NCUA will take an active role in finding a suitable merger partner (continuing credit union). NCUA is primarily concerned that the continuing credit union has the financial strength and management expertise to absorb the troubled credit union without adversely affecting its own financial condition and stability.

As a stipulated condition to an emergency merger, the field of membership of the merging credit union may be transferred intact to the continuing federal credit union without regard to any common bond restrictions. Under this authority, therefore, a single associational common bond federal credit union may take into its field of membership any dissimilar charter type.

The common bond characteristic of the continuing credit union in an emergency merger does not change. That is, even though the merging credit union is a multiple common bond or community, the continuing credit union will remain a single common bond credit union. Similarly, if the merging credit union is an unlike single common bond, the continuing credit union will remain a single common bond credit union. Future common bond expansions will be based on the continuing credit union's single common bond.

Emergency mergers involving federally insured credit unions in different NCUA regions must be approved by the regional director or Office of National Examinations and Supervision Director where the continuing credit union is headquartered, with the concurrence of the regional director or Office of National Examinations and Supervision Director of the merging credit union and, as applicable, the state regulators.

III.D.Purchase and Assumption (P&A)

Another alternative for acquiring the field of membership of a failing credit union is

through a consolidation known as a P&A. A P&A has limited application because, in most cases, the failing credit union must be placed into involuntary liquidation. In the few instances where a P&A may be appropriate, the assuming federal credit union, as with emergency mergers, may acquire the entire field of membership if the emergency merger criteria are satisfied. However, if the P&A does not meet the emergency merger criteria, it must be processed under the common bond requirements.

In a P&A processed under the emergency criteria, specified loans, shares, and certain other designated assets and liabilities, without regard to common bond restrictions, may also be acquired without changing the character of the continuing federal credit union for purposes of future field of membership amendments.

If the purchased and/or assumed credit union's field of membership does not share a common bond with the purchasing and/or assuming credit union, then the continuing credit union's original common bond will be controlling for future common bond expansions.

P&As involving federally insured credit unions in different NCUA regions must be approved by the regional director or Office of National Examinations and Supervision Director where the continuing credit union is headquartered, with the concurrence of the regional director or Office of National Examinations and Supervision Director of the purchased and/or assumed credit union and, as applicable, the state regulators.

III.D.4—Spin-Offs

A spin-off occurs when, by agreement of the parties, a portion of the field of membership, assets, liabilities, shares, and capital of a credit union are transferred to a new or existing credit union. A spin-off is unique in that usually one credit union has a field of membership expansion and the other loses a portion of its field of membership.

All common bond requirements apply regardless of whether the spun-off group becomes a new credit union or goes to an existing federal charter.

The request for approval of a spin-off must be supported with a plan that addresses, at a minimum:

- Why the spin-off is being requested;
- What part of the field of membership is to be spun off;
- Whether the affected credit unions have the same common bond (applies only to single associational credit unions);
- Which assets, liabilities, shares, and capital are to be transferred;
- The financial impact the spin-off will have on the affected credit unions;
- The ability of the acquiring credit union to effectively serve the new members;
- The proposed spin-off date; and
- Disclosure to the members of the requirements set forth above.

The spin-off request must also include current financial statements from the affected credit unions and the proposed voting ballot.

For federal credit unions spinning off a group, membership notice and voting requirements and procedures are the same as for mergers (see part 708 of the NCUA Rules and Regulations), except that only the members directly affected by the spin-off—those whose shares are to be transferred—are permitted to vote. Members whose shares are not being transferred will not be afforded the opportunity to vote. All members of the group to be spun off (whether they voted in favor, against, or not at all) will be transferred if the spin-off is approved by the voting membership. Voting requirements for federally insured state credit unions are governed by state law.

Spin-offs involving federally insured credit unions in different NCUA regions must be approved by all regional directors and, if applicable, Office of National Examinations and Supervision Director where the credit unions are headquartered and the state regulators, as applicable. Spin-offs in the same region also require approval by the state regulator, as applicable. Spin-offs involving the creation of a new federally insured credit union require the approval of the Office of Consumer Financial Protection and Access Director. The Office of Consumer Financial Protection and Access also provides advice regarding field of membership compatibility when appropriate.

III.E—Overlaps

III.E.1—General

An overlap exists when a group of persons is eligible for membership in two or more credit unions. NCUA will permit single associational federal credit unions to overlap any other charters without performing an overlap analysis.

III.E.Organizational Restructuring

A federal credit union's field of membership will always be governed by the common bond descriptions contained in Section 5 of its charter. Where a sponsor organization expands its operations internally, by acquisition or otherwise, the credit union may serve these new entrants to its field of membership if they are part of the common bond described in Section 5. NCUA will permit a complete overlap of the credit unions' fields of membership. If a sponsor organization sells off a group, new members can no longer be served unless they otherwise qualify for membership in the credit union or it converts to a multiple common bond.

Credit unions must submit documentation explaining the restructuring and providing information regarding the new organizational structure.

III.E.3—Exclusionary Clauses

An exclusionary clause is a limitation precluding the credit union from serving the primary members of a portion of a group otherwise included in its field of membership. NCUA no longer grants exclusionary clauses. Those granted prior to the adoption of this new Chartering and Field of Membership Manual will remain in effect unless the credit unions agree to remove them or one of the affected credit unions submits a housekeeping amendment to have it removed.

III.F—Charter Conversions

A single associational common bond federal credit union may apply to convert to a community charter provided the field of membership requirements of the community charter are met. Groups within the existing charter which cannot qualify in the new charter cannot be served except for members of record, or groups or communities obtained in an emergency merger or P&A. A credit union must notify all groups that will be removed from the field of membership as a result of conversion. Members of record can continue to be served. Also, in order to support a case for a conversion, the applicant federal credit union may be required to develop a detailed business plan as specified in Chapter 2, Section V.A.3.

A single associational common bond federal credit union may apply to convert to a multiple common bond charter by adding a non-common bond group that is within a reasonable proximity of a service facility. Groups within the existing charter may be retained and continue to be served. However, future amendments, including any expansions of the original single common bond group, must be done in accordance with multiple common bond policy.

III.G—Removal of Groups From the Field of Membership

A credit union may request removal of a portion of the common bond group from its field of membership for various reasons. The most common reasons for this type of amendment are:

- The group is within the field of membership of two credit unions and one wishes to discontinue service;
- The federal credit union cannot continue to provide adequate service to the group;
- The group has ceased to exist;
- The group does not respond to repeated requests to contact the credit union or refuses to provide needed support; or
- The group initiates action to be removed from the field of membership.

When a federal credit union requests an amendment to remove a group from its field of membership, the Office of Consumer Financial Protection and Access Director will determine why the credit union desires to remove the group. If the Office of Consumer Financial Protection and Access Director concurs with the request, membership will continue for those who are already members under the ''once a member, always a member'' provision of the Federal Credit Union Act.

III.H—Other Persons Eligible for Credit Union Membership

A number of persons by virtue of their close relationship to a common bond group may be included, at the charter applicant's option, in the field of membership. These include the following:

- Spouses of persons who died while within the field of membership of this credit union;
- Employees of this credit union;
- Volunteers;
- Members of the immediate family or household;
-

• Honorably discharged veterans who served in any of the Armed Services of the United States in this charter;

Organizations of such persons; and

• Corporate or other legal entities in this charter.

Immediate family is defined as spouse, child, sibling, parent, grandparent, or grandchild. This includes stepparents, stepchildren, stepsiblings, and adoptive relationships.

Household is defined as persons living in the same residence maintaining a single economic unit.

Membership eligibility is extended only to individuals who are members of an ''immediate family or household'' of a credit union member. It is not necessary for the primary member to join the credit union in order for the immediate family or household member of the primary member to join, provided the immediate family or household clause is included in the field of membership. However, it is necessary for the immediate family member or household member to first join in order for that person's immediate family member or household member to join the credit union. A credit union can adopt a more restrictive definition of immediate family or household.

Volunteers, by virtue of their close relationship with a sponsor group, may be included. One example is volunteers working at a church.

Under the Federal Credit Union Act, once a person becomes a member of the credit union, such person may remain a member of the credit union until the person chooses to withdraw or is expelled from the membership of the credit union. This is commonly referred to as ''once a member, always a member.'' The ''once a member, always a member'' provision does not prevent a credit union from restricting services to members who are no longer within the field of membership.

IV—Multiple Occupational/Associational Common Bonds

IV.A.1—General

A federal credit union may be chartered to serve a combination of distinct, definable single occupational and/or associational common bonds. This type of credit union is called a multiple common bond credit union. Each group in the field of membership must have its own occupational or associational common bond. For example, a multiple common bond credit union may include two unrelated employers, or two unrelated associations, or a combination of two or more employers or associations. Additionally, these groups must be within reasonable geographic proximity of the credit union. That is, the groups must be within the service area of one of the credit union's service facilities. These groups are referred to as select groups. A multiple common bond credit union cannot include a TIP or expand using single common bond criteria.

Employment in a corporation or other legal entity which is related to another legal entity (such as a company under contract to, and possessing a strong dependency relationship with, the other company) makes that person part of the occupational common bond of a select employee group within a multiple common bond. In this context, a ''strong dependency relationship'' is a relationship in which the entities rely on each other as measured by a pattern of regularly doing business with each other, for example, as documented by the number, the term length, and the dollar volume of prior and pending contracts between them.

A multiple common bond credit union's charter may also combine individual occupational groups that each consist of employees of a retailer or other business tenant of an industrial park, a shopping mall, office park or office building (each ''a park''). To be able to have this type of clause in its charter, the multiple common bond credit union first must receive a request from an authorized representative of the group or the park to establish credit union service. The park must be within the multiple common bond credit union's service area, and each occupational group must have fewer than 3,000 employees, who are eligible for membership only for so long as each is employed by a park tenant. Under this clause, a multiple common bond credit union can enroll group employees only while the group's retail or business employer is a park tenant, but such credit unions are free to serve employees of new groups under the above conditions as each respective employer becomes a park tenant.

A federal credit union's service area is the area that can reasonably be served by the service facilities accessible to the groups within the field of membership. The service area will most often coincide with that geographic area primarily served by the service facility. Additionally, the groups served by the credit union must have access to the service facility. The non-availability of other credit union service is a factor to be considered in determining whether the group is within reasonable proximity of a credit union wishing to add the group to its field of membership.

A service facility for multiple common bond credit unions is defined as a place where shares are accepted for members' accounts, loan applications are accepted or loans are disbursed. This definition includes a credit union owned branch, a mobile branch, an office operated on a regularly scheduled weekly basis, a credit union owned ATM, or a credit union owned electronic facility that meets, at a minimum, these requirements. A service facility also includes a shared branch or a shared branch network if either: (1) The credit union has an ownership interest in the service facility either directly or through a CUSO or similar organization; or (2) the service facility is local to the credit union and the credit union is an authorized participant in the service center. This definition does not include the credit union's Internet Web site.

The select group as a whole will be considered to be within a credit union's service area when:

• A majority of the persons in a select group live, work, or gather regularly within the service area;

• The group's headquarters is located within the service area; or

• The group's ''paid from'' or ''supervised from'' location is within the service area.

IV.A.2—Sample Multiple Common Bond Field of Membership

An example of a multiple common bond field of membership is:

''The field of membership of this federal credit union shall be limited to the following:

1. Employees of Teltex Corporation who work in Wilmington, Delaware;

2. Partners and employees of Smith & Jones, Attorneys at Law, who work in Wilmington, Delaware;

3. Members of the M&L Association in Wilmington, Delaware, who qualify for membership in accordance with its charter and bylaws in effect on December 31, 1997;

4. Employees of tenants of MJB Office Park under the following conditions:

—Each tenant's employees form an individual occupational group;

—the tenant has fewer than 3,000 employees working at MJB Office Park; and

—those employees work in MJB Office Park's Wilmington, Delaware location,''

IV.B—Multiple Common Bond Amendments

IV.B.1—General

Section 5 of every multiple common bond federal credit union's charter defines the field of membership and select groups the credit union can legally serve. Only those persons or legal entities specified in the field of membership can be served. There are a number of instances in which Section 5 must be amended by NCUA.

First, a new select group is added to the field of membership. This may occur through agreement between the group and the credit union directly, or through a merger, corporate acquisition, purchase and assumption (P&A), or spin-off.

Second, a federal credit union qualifies to change its charter from:

• A single occupational or associational charter to a multiple common bond charter;

• A multiple common bond to a single occupational or associational charter;

• A multiple common bond to a community charter; or

• A community to a multiple common bond charter.

Third, a federal credit union removes a group from its field of membership through agreement with the group, a spin-off, or because the group no longer exists.

IV.B.2—Numerical Limitation of Select Groups

An existing multiple common bond federal credit union that submits a request to amend its charter must provide documentation to establish that the multiple common bond requirements have been met. The Office of Consumer Financial Protection and Access Director must approve all amendments to a multiple common bond credit union's field of membership.

NCUA will approve groups to a credit union's field of membership if the agency determines in writing that the following criteria are met:

• The credit union has not engaged in any unsafe or unsound practice, as determined by the Office of Consumer Financial Protection and Access Director, with input from the appropriate regional director or Office of

National Examinations and Supervision Director, which is material during the one year period preceding the filing to add the group;

• The credit union is ''adequately capitalized'' pursuant to Part 702 of NCUA's Rules and Regulations. For low-income credit unions or credit unions chartered less than ten years, the Office of Consumer Financial Protection and Access Director, with input from the appropriate regional director or Office of National Examinations and Supervision Director, may determine that a less than ''adequately capitalized'' credit union can qualify for an expansion if it is making reasonable progress toward becoming ''adequately capitalized.'' For any other credit union, the Office of Consumer Financial Protection and Access Director, with input from the appropriate regional director or Office of National Examinations and Supervision Director, may determine that a less than ''adequately capitalized'' credit union can qualify for an expansion if it is making reasonable progress toward becoming ''adequately capitalized,'' and the addition of the group would not adversely affect the credit union's capitalization level;

• The credit union has the administrative capability to serve the proposed group and the financial resources to meet the need for additional staff and assets to serve the new group;

• Any potential harm the expansion may have on any other credit union and its members is clearly outweighed by the probable beneficial effect of the expansion. With respect to a proposed expansion's effect on other credit unions, the requirements on overlapping fields of membership set forth in Section IV.E of this Chapter are also applicable; and

• If the formation of a separate credit union by such group is not practical and consistent with reasonable standards for the safe and sound operation of a credit union.

The Federal Credit Union Act presumes that a group of 3,000 or more primary potential members is able to form its own stand-alone credit union unless NCUA determines that it is infeasible to do so for reasons such as:

(i) The group lacks sufficient volunteer and other resources to support the efficient and effective operation of its own credit union;

(ii) the group does not meet criteria that the Board has determined to be an important indicator of success in establishing and managing a new credit union, including demographic characteristics such as the geographic location of members, the diversity of ages and income levels among members, and other factors that may affect such a credit union's financial viability and stability; or

(iii) the group would be unlikely to operate a safe and sound credit union.

As such, NCUA requires additional information when a multiple common bond credit union applies to add a group of 3,000 or more primary potential members. For groups between 3,000 and 4,999 potential members, NCUA requires documentation indicating the group has a lack of available subsidies, interest among the group's members, and sufficient resources. For such cases NCUA, in its discretion, will accept a written statement indicating these conditions exist as sufficient documentation the group cannot form its own credit union. Groups with 5,000 or more members will be subject to the standard document requirements as discussed later in this chapter, requiring a group to fully describe its inability to establish a new single common bond credit union.

IV.B.Documentation Requirements

A multiple common bond credit union requesting a select group expansion must submit a formal written request, using the Application for Field of Membership Amendment (NCUA 4015–EZ, NCUA 4015–A or NCUA 4015) to the Office of Consumer Financial Protection and Access Director. An authorized credit union representative must sign the request.

The NCUA 4015–EZ (for groups less than 3,000 potential members) must be accompanied by the following:

• A letter, or equivalent documentation, from the group requesting credit union service. This letter must indicate:

• That the group wants to be added to the applicant federal credit union's field of membership;

• The number of persons currently included within the group to be added and their locations; and

• The group's proximity to the credit union's nearest service facility.

• The most recent copy of the group's charter and bylaws or equivalent documentation (for associational groups).

The NCUA 4015–A (for groups between 3,000 and 4,999 primary potential members) must be accompanied by the following:

• A letter, or equivalent documentation, from the group requesting credit union service. This letter must indicate:

• That the group wants to be added to the federal credit union's field of membership;

• The number of persons currently included within the group to be added and their locations;

• The group's proximity to credit union's nearest service facility, and

• Why the formation of a separate credit union for the group is not practical or consistent with safety and soundness standards because of a lack of available subsidies, interest among the group's members, and sufficient resources.

The NCUA 4015 (for groups of 5,000 or more primary potential members) must be accompanied by the following:

• A letter, or equivalent documentation, from the group requesting credit union service. This letter must indicate:

• That the group wants to be added to the federal credit union's field of membership;

• Whether the group presently has other credit union service available;

• The number of persons currently included within the group to be added and their locations;

• The group's proximity to credit union's nearest service facility, and

• Why the formation of a separate credit union for the group is not practical or consistent with safety and soundness standards. A credit union need not address every item on the list, simply those issues that are relevant to its particular request:

Member location—whether the membership is widely dispersed or concentrated in a central location.

Demographics—the employee turnover rate, economic status of the group's members, and whether the group is more apt to consist of savers and/or borrowers.

Market competition—the availability of other financial services.

Desired services and products—the type of services the group desires in comparison to the type of services a new credit union could offer.

Sponsor subsidies—the availability of operating subsidies.

The desire of the sponsor—the extent of the sponsor's interest in supporting a credit union charter.

Employee interest—the extent of the employees' interest in obtaining a credit union charter.

Evidence of past failure—whether the group previously had its own credit union or previously filed for a credit union charter.

Administrative capacity to provide services—will the group have the management expertise to provide the services requested.

• If the group is eligible for membership in any other credit union, documentation must be provided to support inclusion of the group under the overlap standards set forth in Section IV.E of this Chapter; and

• The most recent copy of the group's charter and bylaws or equivalent documentation (for associational groups).

IV.B.Restructuring

If a select group within a federal credit union's field of membership undergoes a substantial restructuring, a change to the credit union's field of membership may be required if the credit union is to continue to provide service to the select group. NCUA permits a multiple common bond credit union to maintain in its field of membership a sold, spun-off, or merged select group to which it has been providing service. This type of amendment to the credit union's charter is not considered an expansion; therefore, the criteria relating to adding new groups are not applicable.

When two groups merge and each is in the field of membership of a credit union, then both (or all affected) credit unions can serve the resulting merged group, subject to any existing geographic limitation and without regard to any overlap provisions. However, the credit unions cannot serve the other multiple groups that may be in the field of membership of the other credit union.

IV.C—NCUA's Procedures for Amending the Field of Membership

IV.C.1—General

All requests for approval to amend a federal credit union's charter must be submitted to the Office of Consumer Financial Protection and Access Director.

IV.C.2—Office of Consumer Financial Protection and Access Director Decision

NCUA staff will review all amendment requests in order to ensure conformance to NCUA policy.

Before acting on a proposed amendment, the Office of Consumer Financial Protection

and Access Director may require an on-site review. In addition, the Office of Consumer Financial Protection and Access Director may, after taking into account the significance of the proposed field of membership amendment, require the applicant to submit a business plan addressing specific issues.

The financial and operational condition of the requesting credit union will be considered in every instance. An expanded field of membership may provide the basis for reversing adverse trends. In such cases, an amendment to expand the field of membership may be granted notwithstanding the credit union's adverse trends. The applicant credit union must clearly establish that the approval of the expanded field of membership meets the requirements of Section IV.B.2 of this Chapter and will not increase the risk to the NCUSIF.

IV.C.3—Office of Consumer Financial Protection and Access Director Approval

If the Office of Consumer Financial Protection and Access Director approves the requested amendment, the credit union will be issued an amendment to Section 5 of its charter.

IV.C.4—Office of Consumer Financial Protection and Access Director Disapproval

When the Office of Consumer Financial Protection and Access Director disapproves any application, in whole or in part, to amend the field of membership under this chapter, the applicant will be informed in writing of the:

- Specific reasons for the action;
-
- Options to consider, if appropriate, for gaining approval; and
- Appeal procedure.

IV.C.5—Appeal of Office of Consumer Financial Protection and Access Director Decision

If a field of membership expansion request, merger, or spin-off is denied by staff, the federal credit union may appeal the decision to the NCUA Board. An appeal must be sent to the NCUA Board Secretary within 60 days of the date of denial and must be clearly identified as such and address the reason(s) the federal credit union disagrees with the denial. A copy of the appeal must be sent to the Office of Consumer Financial Protection and Access or, as applicable, the appropriate regional office or Office of National Examinations and Supervision Director. NCUA central office staff will make an independent review of the facts and present the appeal to the NCUA Board with a recommendation.

Before appealing, the credit union may, within 30 days of the denial, provide supplemental information to the office rendering the initial decision for reconsideration. A reconsideration will contain new and material evidence addressing the reasons for the initial denial. The office rendering the initial decision will have 30 days from the date of the receipt of the request for reconsideration to make a final decision. If the request is again denied, the applicant may proceed with the appeal process within 60 days of the date of the last denial. A second request for reconsideration will be treated as an appeal to the NCUA Board.

IV.D—Mergers, Purchase and Assumptions, and Spin-Offs

In general, other than the addition of select groups, there are three additional ways a multiple common bond federal credit union can expand its field of membership:

- By taking in the field of membership of another credit union through a merger;
- By taking in the field of membership of another credit union through a purchase and assumption (P&A); or
- By taking a portion of another credit union's field of membership through a spin-off.

IV.D. Voluntary Mergers

a. All Select Groups in the Merging Credit Union's Field of Membership Have Less Than 3,000 Primary Potential Members

A voluntary merger of two or more federal credit unions is permissible as long as each select group in the merging credit union's field of membership has less than 3,000 primary potential members. While the merger requirements outlined in Section 205 of the Federal Credit Union Act must still be met, the requirements of Chapter 2, Section IV.B.2 of this manual are not applicable.

b. One or More Select Groups in the Merging Credit Union's Field of Membership Has 3,000 or More Primary Potential Members

If the merging credit unions serve the same group, and the group consists of 3,000 or more primary potential members, then the ability to form a separate credit union analysis is not required for that group. If the merging credit union has any other groups consisting of 3,000 or more primary potential members, special requirements apply. NCUA will analyze each group of 3,000 or more primary potential members, except as noted above, to determine whether the formation of a separate credit union by such a group is practical. If the formation of a separate credit union by such a group is not practical because the group lacks sufficient volunteer and other resources to support the efficient and effective operations of a credit union or does not meet the economic advisable criteria outlined in Chapter 1, the group may be merged into a multiple common bond credit union. If the formation of a separate credit union is practical, the group must be spun-off before the merger can be approved.

c. Merger of a Single Common Bond Credit Union Into a Multiple Common Bond Credit Union

A financially healthy single common bond credit union with a primary potential membership of 3,000 or more cannot merge into a multiple common bond credit union, absent supervisory reasons, unless the continuing credit union already serves the same group.

d. Merger Approval

If the merger is approved, the qualifying groups within the merging credit union's field of membership will be transferred intact to the continuing credit union and can continue to be served.

Where the merging credit union is state-chartered, the field of membership rules applicable to a federal credit union apply.

Mergers must be approved by the applicable NCUA regional or Office of National Examinations and Supervision Director where the continuing credit union is headquartered, with the concurrence of the regional director or Office of National Examinations and Supervision Director of the merging credit union, and, as applicable, the state regulators.

IV.D.2—Supervisory Mergers

The NCUA may approve the merger of any federally insured credit union when safety and soundness concerns are present without regard to the 3,000 numerical limitation. The credit union need not be insolvent or in danger of insolvency for NCUA to use this statutory authority. Examples constituting appropriate reasons for using this authority are: abandonment of the management and/or officials and an inability to find replacements, loss of sponsor support, serious and persistent record-keeping problems, sustained material decline in financial condition, or other serious or persistent circumstances.

IV.D. Emergency Mergers

An emergency merger may be approved by NCUA without regard to common bond or other legal constraints. An emergency merger involves NCUA's direct intervention and approval. The credit union to be merged must either be insolvent or in danger of insolvency, as defined in the Glossary, and NCUA must determine that:

- An emergency requiring expeditious action exists;
- Other alternatives are not reasonably available; and
- The public interest would best be served by approving the merger.

If not corrected, conditions that could lead to insolvency include, but are not limited to:

- Abandonment by management;
- Loss of sponsor;
- Serious and persistent record-keeping problems; or
- Serious and persistent operational concerns.

In an emergency merger situation, NCUA will take an active role in finding a suitable merger partner (continuing credit union). NCUA is primarily concerned that the continuing credit union has the financial strength and management expertise to absorb the troubled credit union without adversely affecting its own financial condition and stability.

As a stipulated condition to an emergency merger, the field of membership of the merging credit union may be transferred intact to the continuing federal credit union without regard to any field of membership restrictions including numerical limitation requirements. Under this authority, any single occupational or associational common bond, multiple common bond, or community charter may merger into a multiple common bond credit union and that credit union can continue to serve the merging credit union's field of membership. Subsequent field of membership expansions of the continuing

multiple common bond credit union must be consistent with multiple common bond policies.

Emergency mergers involving federally insured credit unions in different NCUA regions must be approved by the regional director or Office of National Examinations and Supervision Director where the continuing credit union is headquartered, with the concurrence of the regional director or Office of National Examinations and Supervision Director of the merging credit union and, as applicable, the state regulators.

IV.D. Purchase and Assumption (P&A)

Another alternative for acquiring the field of membership of a failing credit union is through a consolidation known as a P&A. Generally, the requirements applicable to field of membership expansions found in this chapter apply to purchase and assumptions where the purchasing credit union is a federal charter.

A P&A has limited application because, in most cases, the failing credit union must be placed into involuntary liquidation. However, in the few instances where a P&A may occur, the assuming federal credit union, as with emergency mergers, may acquire the entire field of membership if the emergency criteria are satisfied. Specified loans, shares, and certain other designated assets and liabilities, without regard to field of membership restrictions, may also be acquired without changing the character of the continuing federal credit union for purposes of future field of membership amendments. Subsequent field of membership expansions must be consistent with multiple common bond policies.

P&As involving federally insured credit unions in different NCUA regions must be approved by the regional director or Office of National Examinations and Supervision Director where the continuing credit union is headquartered, with the concurrence of the regional director or Office of National Examinations and Supervision Director of the purchased and/or assumed credit union and, as applicable, the state regulators.

IV.D.5—Spin-Offs

A spin-off occurs when, by agreement of the parties, a portion of the field of membership, assets, liabilities, shares, and capital of a credit union are transferred to a new or existing credit union. A spin-off is unique in that usually one credit union has a field of membership expansion and the other loses a portion of its field of membership.

All common bond requirements apply regardless of whether the spun-off group becomes a new charter or goes to an existing federal charter.

The request for approval of a spun-off group must be supported with a plan that addresses, at a minimum:

- Why the spin-off is being requested;
- What part of the field of membership is to be spun off;
- Which assets, liabilities, shares, and capital are to be transferred;
- The financial impact the spin-off will have on the affected credit unions;
- The ability of the acquiring credit union to effectively serve the new members;
- The proposed spin-off date; and
- Disclosure to the members of the requirements set forth above.

The spin-off request must also include current financial statements from the affected credit unions and the proposed voting ballot.

For federal credit unions spinning off a group, membership notice and voting requirements and procedures are the same as for mergers (see part 708 of the NCUA Rules and Regulations), except that only the members directly affected by the spin-off—those whose shares are to be transferred—are permitted to vote. Members whose shares are not being transferred will not be afforded the opportunity to vote. All members of the group to be spun off (whether they voted in favor, against, or not at all) will be transferred if the spin-off is approved by the voting membership. Voting requirements for federally insured state credit unions are governed by state law.

Spin-offs involving federally insured credit unions in different NCUA regions must be approved by all regional directors and, if applicable, the Office of National Examinations and Supervision Director where the credit unions are headquartered and the state regulators, as applicable. Spin-offs in the same region also require approval by the state regulator, as applicable.

IV.E—Overlaps

IV.E.1—General

An overlap exists when a group of persons is eligible for membership in two or more credit unions, including state charters. An overlap is permitted when the expansion's beneficial effect in meeting the convenience and needs of the members of the group proposed to be included in the field of membership outweighs any adverse effect on the overlapped credit union.

Credit unions must investigate the possibility of an overlap with federally insured credit unions prior to submitting an expansion request if the group has 5,000 or more primary potential members. If cases arise where the assurance given to the Office of Consumer Financial Protection and Access Director concerning the unavailability of credit union service is inaccurate, the misinformation may be grounds for removal of the group from the federal credit union's charter.

When an overlap situation requiring analysis does arise, officials of the expanding credit union must ascertain the views of the overlapped credit union. If the overlapped credit union does not object, the applicant must submit a letter or other documentation to that effect. If the overlapped credit union does not respond, the expanding credit union must notify NCUA in writing of its attempt to obtain the overlapped credit union's comments.

NCUA will approve an overlap if the expansion's beneficial effect in meeting the convenience and needs of the members of the group outweighs any adverse effect on the overlapped credit union.

In reviewing the overlap, the Office of Consumer Financial Protection and Access Director will consider:

- The view of the overlapped credit union(s);
- Whether the overlap is incidental in nature—the group of persons in question is so small as to have no material effect on the original credit union;
- Whether there is limited participation by members or employees of the group in the original credit union after the expiration of a reasonable period of time;
- Whether the original credit union fails to provide requested service;
- Financial effect on the overlapped credit union;
- The desires of the group(s);
- The desire of the sponsor organization; and
- The best interests of the affected group and the credit union members involved.

Generally, if the overlapped credit union does not object, and NCUA determines that there is no safety and soundness problem, the overlap will be permitted.

Potential overlaps of a federally insured state credit union's field of membership by a federal credit union will generally be analyzed in the same way as if two federal credit unions were involved. Where a federally insured state credit union's field of membership is broadly stated, NCUA will exclude its field of membership from any overlap protection.

NCUA will permit multiple common bond federal credit unions to overlap community charters without performing an overlap analysis.

IV.E. Overlap Issues as a Result of Organizational Restructuring

A federal credit union's field of membership will always be governed by the field of membership descriptions contained in Section 5 of its charter. Where a sponsor organization expands its operations internally, by acquisition or otherwise, the credit union may serve these new entrants to its field of membership if they are part of any select group listed in Section 5. Where acquisitions are made which add a new subsidiary, the group cannot be served until the subsidiary is included in the field of membership through a housekeeping amendment.

A federal credit union's field of membership will always be governed by the field of membership descriptions contained in Section 5 of its charter. Where a sponsor organization expands its operations internally, by acquisition or otherwise, the credit union may serve these new entrants to its field of membership if they are part of any select group listed in Section 5. Where acquisitions are made which add a new subsidiary, the group cannot be served until the subsidiary is included in the field of membership through a housekeeping amendment.

Overlaps may occur as a result of restructuring or merger of the parent organization. When such overlaps occur, each credit union must request a field of membership amendment to reflect the new groups each wishes to serve. The credit union can continue to serve any current group in its field of membership that is acquiring a new group or has been acquired by a new group.

The new group cannot be served by the credit union until the field of membership amendment is approved by NCUA.

Credit unions affected by organizational restructuring or merger should attempt to resolve overlap issues among themselves. Unless an agreement is reached limiting the overlap resulting from the corporate restructuring, NCUA will permit a complete overlap of the credit unions' fields of membership. When two groups merge, or one group is acquired by the other, and each is in the field of membership of a credit union, both (or all affected) credit unions can serve the resulting merged or acquired group, subject to any existing geographic limitation and without regard to any overlap provisions. This is accomplished through a housekeeping amendment.

Credit unions must submit to NCUA documentation explaining the restructuring and provide information regarding the new organizational structure.

IV.E.3—Exclusionary Clauses

An exclusionary clause is a limitation precluding the credit union from serving the primary members of a portion of a group otherwise included in its field of membership. NCUA no longer grants exclusionary clauses. Those granted prior to the adoption of this new Chartering and Field of Membership Manual will remain in effect unless the credit unions agree to remove them or one of the affected credit unions submits a housekeeping amendment to have it removed.

IV.F—Charter Conversion

A multiple common bond federal credit union may apply to convert to a community charter provided the field of membership requirements of the community charter are met. Groups within the existing charter which cannot qualify in the new charter cannot be served except for members of record, or groups or communities obtained in an emergency merger or P&A. A credit union must notify all groups that will be removed from the field of membership as a result of conversion. Members of record can continue to be served. Also, in order to support a case for a conversion, the applicant federal credit union may be required to develop a detailed business plan as specified in Chapter 2, Section V.A.3.

A multiple common bond federal credit union may apply to convert to a single occupational or associational common bond charter provided the field of membership requirements of the new charter are met. Groups within the existing charter, which do not qualify in the new charter, cannot be served except for members of record, or groups or communities obtained in an emergency merger or P&A. A credit union must notify all groups that will be removed from the field of membership as a result of conversion.

IV.G—Credit Union Requested Removal of Groups From the Field of Membership

A credit union may request removal of a group from its field of membership for various reasons. The most common reasons for this type of amendment are:

- The group is within the field of membership of two credit unions and one wishes to discontinue service;
- The federal credit union cannot continue to provide adequate service to the group;
- The group has ceased to exist;
- The group does not respond to repeated requests to contact the credit union or refuses to provide needed support;
- The group initiates action to be removed from the field of membership; or
- The federal credit union wishes to convert to a single common bond.

When a federal credit union requests an amendment to remove a group from its field of membership, the Office of Consumer Financial Protection and Access Director will determine why the credit union desires to remove the group. If the Office of Consumer Financial Protection and Access Director concurs with the request, membership will continue for those who are already members under the ''once a member, always a member'' provision of the Federal Credit Union Act.

IV.H—NCUA Supervisory Action To Remove Groups From the Field of Membership

NCUA has in place quality control processes that protect the integrity of its field of membership requirements. As part of this obligation, NCUA's Office of Consumer Financial Protection and Access will randomly select groups added through NCUA's Field of Membership Internet Application (FOMIA) system for quality assurance reviews even if the expansion application meets all the conditions for approval. Each FCU is responsible for obtaining certain documentation when seeking to add groups to its field of membership through FOMIA. In addition, as indicated in the FOMIA User Instruction Guide, available on NCUA's Web site, an FCU must permanently retain the documentation from the select group requesting service and the Confirmation Certificate generated at the time the FOMIA request is submitted to NCUA.

As part of the quality assurance process, the Office of Consumer Financial Protection and Access reserves the right to request this documentation at any time. If the FCU fails to provide this documentation when the Office of Consumer Financial Protection and Access requests it, the director of the Office of Consumer Financial Protection and Access may consider removing the group from the FCU's field of membership and restricting the FCU from using the FOMIA system for future requests. Specifically, as part of the FOMIA quality assurance process, the Office of Consumer Financial Protection and Access staff will do the following:

1. Within 10 days of receiving an application selected for a quality assurance review, notify the FCU of the documentation the Office of Consumer Financial Protection and Access requires. The FCU will have 15 days to provide the necessary documentation. the Office of Consumer Financial Protection and Access will respond to the FCU with a determination on the quality assurance review of the association within 15 days of receiving the requested information;

2. After receiving the additional documentation, if any concerns remain outstanding, the Office of Consumer Financial Protection and Access will again correspond with the FCU and provide a 15-day time frame for correcting the concern. the Office of Consumer Financial Protection and Access will respond to the FCU with a determination on the quality assurance review of the association within 15 days of receiving the requested information; and

3. If the FCU does not provide the requested documentation, or cannot correct the concern, the Office of Consumer Financial Protection and Access Director will deny the application and notify the credit union of its appeal rights.

IV.I—NCUA Investigation of Potential Field of Membership Violations

NCUA's Office of Consumer Financial Protection and Access is responsible for investigating field of membership complaints from the public, and matters referred to it from the field. It also pursues corrective action as needed for FCUs with confirmed field of membership violations. Although circumstances can vary with each case, the Office of Consumer Financial Protection and Access will generally adhere to the following process for investigating and addressing potential field of membership violations:

1. Initially correspond with management to outline concerns and request clarifying information within 60 days. the Office of Consumer Financial Protection and Access will also provide context as to the source of NCUA's concerns, such as the discovery of new information about a particular group or an examination finding brought to the attention of the Office of Consumer Financial Protection and Access;

2. If the Office of Consumer Financial Protection and Access does not receive the requested information within 60 days, it will notify the FCU and again request the required information be provided within 30 days;

3. After receiving the additional documentation, if any concerns remain outstanding, the Office of Consumer Financial Protection and Access will again correspond with the FCU to provide a 60-day time frame for addressing the concern; and

4. If the FCU is unable to correct the concern, and after consultation with the Office of General Counsel and the appropriate Regional Office or Office of National Examinations and Supervision Director, and in accordance with agency guidelines for administrative actions, the Director of the Office of Consumer Financial Protection and Access will remove the group from the FCU's field of membership pursuant to authority delegated by the NCUA Board. Removal of a group is treated the same as an initial denial under the Chartering Manual. In any adverse final determination on removal under the above delegations, the Office of Consumer Financial Protection and Access will notify the FCU of its appeal rights.

NCUA considers the removal of an association from an FCU's field of membership as an action of last resort. If a group is removed, the FCU can no longer add new members from the group, but can

continue serving those who are already members of the FCU under the ''once a member, always a member'' provision of the Federal Credit Union Act. Also, if the group subsequently qualifies due to changes to the group itself, management can submit a new application at that time.

IV.J—Other Persons Eligible for Credit Union Membership

A number of persons, by virtue of their close relationship to a common bond group, may be included, at the charter applicant's option, in the field of membership. These include the following:

- Spouses of persons who died while within the field of membership of this credit union;
- Employees of this credit union;
- Persons retired as pensioners or annuitants from the above employment;
- Volunteers;
- Members of the immediate family or household;
- Honorably discharged veterans who served in any of the Armed Services of the United States in this charter;
- Organizations of such persons; and
- Corporate or other legal entities in this charter.

Immediate family is defined as spouse, child, sibling, parent, grandparent, or grandchild. This includes stepparents, stepchildren, stepsiblings, and adoptive relationships.

Household is defined as persons living in the same residence maintaining a single economic unit.

Membership eligibility is extended only to individuals who are members of an ''immediate family or household'' of a credit union member. It is not necessary for the primary member to join the credit union in order for the immediate family or household member of the primary member to join, provided the immediate family or household clause is included in the field of membership. However, it is necessary for the immediate family member or household member to first join in order for that person's immediate family member or household member to join the credit union. A credit union can adopt a more restrictive definition of immediate family or household.

Volunteers, by virtue of their close relationship with a sponsor group, may be included. Examples include volunteers working at a hospital or church.

Under the Federal Credit Union Act, once a person becomes a member of the credit union, such person may remain a member of the credit union until the person chooses to withdraw or is expelled from the membership of the credit union. This is commonly referred to as ''once a member, always a member.'' The ''once a member, always a member'' provision does not prevent a credit union from restricting services to members who are no longer within the field of membership

V—Community Charter Requirements

V.A.1—General

There are two types of community charters. One is based on a single, geographically well-defined local community or neighborhood; the other is a rural district. More than one credit union may serve the same community.

NCUA recognizes four types of affinity on which both a community charter and a rural district can be based—persons who live in, worship in, attend school in, or work in the community or rural district. Businesses and other legal entities within the community boundaries or rural district may also qualify for membership.

NCUA has established the following requirements for community charters:

- The geographic area's boundaries must be clearly defined; and
- The area is a well-defined local community or a rural district.

V.A.2—Definition of Well-Defined Local Community and Rural District

In addition to the documentation requirements in Chapter 1 to charter a credit union, a community credit union applicant must provide additional documentation addressing the proposed area to be served and community service policies.

An applicant has the burden of demonstrating to NCUA that the proposed community area meets the statutory requirements of being: (1) Well-defined, and (2) a local community or rural district.

''Well-defined'' means the proposed area has specific geographic boundaries. Geographic boundaries may include a city, township, county (single, multiple, or portions of a county) or a political equivalent, school district, or a clearly identifiable neighborhood. Although state boundaries are well-defined areas, states themselves do not meet the requirement that the proposed area be a local community.

The well-defined local community requirement is met if:

- Single Political Jurisdiction—The area to be served is in a recognized Single Political Jurisdiction, *i.e.,* a city, county, or their political equivalent, or any individual portion thereof.
- Statistical Area—The area is a designated Core Based Statistical Area or allowing a portion thereof, or in the case of a Core Based Statistical Area with Metropolitan Divisions, the area is a Metropolitan Division or is a portion thereof; or
- The area is a designated a Combined Statistical Area or a portion thereof; AND
- The Core Based Statistical Area, Metropolitan Division or Combined Statistical Area, or the portion thereof, must have a population of 2.5 million or less people.
- Compelling Evidence of Interaction or Common Interests—In lieu of a statistical area as defined above, this option applies only to the addition of an immediately adjacent area falling outside a Single Political Jurisdiction, Core Based Statistical Area or Combined Statistical Area, and thus may demonstrate a sufficient level of interaction to qualify as a local community. For these situations, applicants have the option of submitting a narrative to NCUA to address how the residents meet the requirements for being a local community. The Office of Consumer Financial Protection and Access will issue additional guidance to help a credit union develop its written narrative. NCUA will base its decision on a consideration of the following factors with respect to the proposed service area in its entirety:

Economic Hub: Evidence indicates residents commonly travel to a geographically compact locale within the area for work and major commerce needs. Traffic flows, the presence of common or related industries, or unified economic planning demonstrate how the locales have economic interdependence.

Population Center: Area has a dominant county or municipality with a significant portion of the area's population and evidence exists to support the relevance of the population center to all residents within the area.

Isolated Areas: Areas geographically isolated, such as by mountains, bodies of water, or other prominent features.

Quasi-Governmental Agencies: A quasi-governmental agency, such as a regional planning commission, predominantly covers the proposed service area and derives its leadership from the area to advance meaningful objectives advancing the residents' common interests in economic development and/or improving quality of life. Success of agency in meeting its mission depends upon collaboration from throughout the area.

Government Designations: 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.

Shared Public Services/Facilities: Formal agreements exist that provide for a common need shared by all of the residents, such as common police or fire protection, or public utilities.

Colleges and Universities: Evidence exists to demonstrate the common relevance of an institution or institutions to the entire area, such as unique educational initiatives to support economic objectives benefiting all residents and/or partnerships with local businesses or high schools.

An area of any geographic size qualifies as a Rural District if:

- The proposed district has well-defined, contiguous geographic boundaries;
- The total population of the proposed district does not exceed 1,000,000.
- Either more than 50% of the proposed district's population resides in census blocks or other geographic units that are designated as rural by either the Consumer Financial Protection Bureau or the United States Census Bureau, OR the district has a population density of 100 persons or fewer per square mile; and
- The boundaries of the well-defined rural district do not exceed the outer boundaries of the states that are *immediately contiguous* to the state in which the credit union maintains its headquarters (*i.e.,* not to exceed the outer perimeter of the layer of states immediately surrounding the headquarters state).

The affinity groups that apply to well-defined local communities, found in Chapter 2, Section V.G., also apply to Rural Districts.

The OMB definitions of Core Based Statistical Area and Metropolitan Division, as

well as that of Combined Statistical Area (found at *https://www.whitehouse.gov/omb/bulletins_default*) are incorporated herein by reference. Access to these definitions is also available through NCUA's Web site at *http://www.ncua.gov*.

The requirements in Chapter 2, Sections V.A.4 through V.G. also apply to a credit union that serves a rural district.

V.A.3—Previously Approved Communities

If NCUA has determined that a specific geographic area is a well-defined local community, then a new applicant need not reestablish that fact as part of its application to serve the exact area. The new applicant must, however, note NCUA's previous determination as part of its overall application. An applicant applying for an area that is not exactly the same as a previously approved well defined local community must comply with the current criteria in place for determining a well-defined local community.

V.A. Business Plan Requirements for a Community Credit Union

A community credit union is frequently more susceptible to competition from other local financial institutions and generally does not have substantial support from any single sponsoring company or association. As a result, a community credit union will often encounter financial and operational factors that differ from an occupational or associational charter. Its diverse membership may require special marketing programs targeted to different segments of the community. For example, the lack of payroll deduction creates special challenges in the development and promotion of savings programs and in the collection of loans. Accordingly, to support an application for a community charter, an applicant Federal credit union must develop a business plan incorporating the following data:

- Pro forma financial statements for a minimum of 24 months after the proposed conversion, including the underlying assumptions and rationale for projected member, share, loan, and asset growth;
- Anticipated financial impact on the credit union, including the need for additional employees and fixed assets, and the associated costs;
- A description of the current and proposed office/branch structure, including a general description of the location(s); parking availability, public transportation availability, drive-through service, lobby capacity, or any other service feature illustrating community access;
- A marketing plan addressing how the community will be served for the 24-month period after the proposed conversion to a community charter, including detailing: How the credit union will implement its business plan; the unique needs of the various demographic groups in the proposed community; how the credit union will market to each group, particularly underserved groups; which community-based organizations the credit union will target in its outreach efforts; the credit union's marketing budget projections dedicating greater resources to reaching new members; and the credit union's timetable for implementation, not just a calendar of events;
- Details, terms and conditions of the credit union's financial products, programs, and services to be provided to the entire community; and
- Maps showing the current and proposed service facilities, ATMs, political boundaries, major roads, and other pertinent information.

An existing Federal credit union may apply to convert to a community charter. Groups currently in the credit union's field of membership, but outside the new community credit union's boundaries, may not be included in the new community charter. Therefore, the credit union must notify groups that will be removed from the field of membership as a result of the conversion. Members of record can continue to be served.

Before approval of an application to convert to a community credit union, NCUA must be satisfied that the credit union will be viable and capable of providing services to its members.

Community credit unions will be expected to regularly review and to follow, to the fullest extent economically possible, the marketing and business plans submitted with their applications. Additionally, NCUA will follow-up with an FCU every year for three years after the FCU has been granted a new or expanded community charter, and at any other intervals NCUA believes appropriate, to determine if the FCU is satisfying the terms of its marketing and business plans.

An FCU failing to satisfy those terms will be subject to supervisory action. As part of this review process, the regional office or Office of National Examinations and Supervision Director will report to the NCUA Board instances where an FCU is failing to satisfy the terms of its marketing and business plan and indicate what supervisory actions the region or ONES intends to take.

V.A.5—Community Boundaries

The geographic boundaries of a community Federal credit union are the areas defined in its charter. The boundaries can usually be defined using political borders, streets, rivers, railroad tracks, or other static geographical feature.

A community that is a recognized legal entity may be stated in the field of membership— for example, ''Gus Township, Texas,'' ''Isabella City, Georgia,'' or ''Fairfax County, Virginia.''

A community that is an entire United States Census Bureau designated Core Based Statistical Area or Combined Statistical Area may be stated in the field of membership— for example, ''Fort Wayne, IN Metropolitan Statistical Area,'' ''Albany, GA Metropolitan Statistical Area,'' or ''Syracuse-Auburn, NY Combined Statistical Area.''

V.A.6—Special Community Charters

A community field of membership may include persons who work or attend school in a particular industrial park, shopping mall, office building or complex, or similar development. The proposed field of membership must have clearly defined geographic boundaries.

V.A. Ample Community Fields of Membership

A community charter does not have to include all four affinities (*i.e.,* live, work, worship, or attend school in a community). Some examples of community fields of membership are:

- Persons who live, work, worship, or attend school in, and businesses located in the area of Johnson City, Tennessee, bounded by Fern Street on the north, Long Street on the east, Fourth Street on the south, and Elm Avenue on the west;
- Persons who live or work in Green County, Maine;
- Persons who live, worship, work (or regularly conduct business in), or attend school on the University of Dayton campus, in Dayton, Ohio;
- Persons who work for businesses located in Clifton Country Mall, in Clifton Park, New York;
- Persons who live, work, or worship in the Binghamton, New York, Core Based Statistical Area, consisting of Broome and Tioga Counties, New York (a qualifying Core Based Statistical Area in its entirety);
- Persons who live, work, worship, or attend school in the portion of the Oklahoma City, OK Metropolitan Statistical Area that includes Canadian and Oklahoma counties, Oklahoma (two contiguous counties in a portion of a qualifying Core Based Statistical Area that has seven counties in total); or
- Persons who live, work, worship, or attend school in Uinta County or Lincoln County, Wyoming, a rural district.

Some examples of insufficiently defined local communities, neighborhoods, or rural districts are:

- Persons who live or work within and businesses located within a ten-mile radius of Washington, DC (not a permitted community);
- Persons who live or work in the industrial section of New York, New York. (not well- defined nor a permitted community); or
- Persons who live or work in the greater Boston area. (not well-defined).

Some examples of unacceptable local communities, neighborhoods, or rural districts are:

- Persons who live or work in the State of California. (not a permitted community). Persons who live in the first congressional district of Florida. (not a permitted community).

V.B—Field of Membership Amendments

A community credit union may amend its field of membership by adding additional affinities or removing exclusionary clauses. This can be accomplished with a housekeeping amendment.

A community credit union also may expand its geographic boundaries. Persons who live, work, worship, or attend school within the proposed well-defined local community, neighborhood or rural district must have common interests and/or interact. The credit union must follow the requirements of Section V.A.4 of this chapter.

A community credit union that is based on a Single Political Jurisdiction, a Statistical Area (*e.g.,* Core Based Statistical Area or

Combined Statistical Area) or a rural district may expand its geographic boundaries to add a bordering area, provided the area is well defined and the credit union demonstrates that persons who live, work, worship, or attend school within the proposed expanded community (*i.e.,* on both sides of the boundary separating the existing community and the bordering area) have common interests and/or interact. Such a credit union applying to expand its geographic boundaries to add a bordering area must follow a streamlined version of the business plan requirements of Section V.A.4 of this chapter and the expanded community would be subject to the corresponding population limit—2.5 million in the case of a Single Political Jurisdiction, or a Statistical Area and 1 million in the case of a rural district. The streamlined business plan requirements for adding a bordering area are:

- Anticipated marginal financial impact on the credit union of adding the proposed bordering area, including the need for additional employees and fixed assets, and the associated costs;
- A description of the current and, if applicable, proposed office/branch structure specific to serving the proposed bordering area;
- A marketing plan addressing how the new community will be served for the 24-month period after the proposed expansion of a community charter, including detailing how the credit union will address the unique needs of any demographic groups in the proposed bordering community not presently served by the credit union and how the credit union will market to any new groups; and
- Details, terms and conditions of any new financial products, programs, and services to be introduced as part of this expansion.

V.C—NCUA Procedures for Amending the Field of Membership

V.C.1—General

All requests for approval to amend a community credit union's charter must be submitted to the Office of Consumer Financial Protection and Access Director. If a decision cannot be made within a reasonable period of time, the Office of Consumer Financial Protection and Access Director will notify the credit union.

V.C.2—NCUA's Decision

The financial and operational condition of the requesting credit union will be considered in every instance. The economic advisability of expanding the field of membership of a credit union with financial or operational problems must be carefully considered.

In most cases, field of membership amendments will only be approved for credit unions that are operating satisfactorily. Generally, if a federal credit union is having difficulty providing service to its current membership, or is experiencing financial or other operational problems, it may have more difficulty serving an expanded field of membership.

Occasionally, however, an expanded field of membership may provide the basis for reversing current financial problems. In such cases, an amendment to expand the field of membership may be granted notwithstanding the credit union's financial or operational problems. The applicant credit union must clearly establish that the expanded field of membership is in the best interest of the members and will not increase the risk to the NCUSIF.

V.C.3—NCUA Approval

If the requested amendment is approved by NCUA, the credit union will be issued an amendment to Section 5 of its charter.

V.C.4—NCUA Disapproval

When NCUA disapproves any application to amend the field of membership, in whole or in part, under this chapter, the applicant will be informed in writing of the:

- Specific reasons for the action;
- If appropriate, options or suggestions that could be considered for gaining approval; and
- Appeal procedures.

V.C.5—Appeal of Office of Consumer Financial Protection and Access Director Decision

If a field of membership expansion request, merger, or spin-off is denied by staff, the federal credit union may appeal the decision to the NCUA Board. An appeal must be sent to the NCUA Board Secretary within 60 days of the date of denial and must be clearly identified as such and address the specific reason(s) the federal credit union disagrees with the denial. A copy of the appeal must be sent to the Office of Consumer Financial Protection and Access or, as applicable, the appropriate regional office or Office of National Examinations and Supervision Director. NCUA central office staff will make an independent review of the facts and present the appeal to the NCUA Board with a recommendation.

Before appealing, the credit union may, within 30 days of the denial, provide supplemental information to the office rendering the initial decision for reconsideration. A reconsideration will contain new and material evidence addressing the reasons for the initial denial. The office rendering the initial decision will have 30 days from the date of the receipt of the request for reconsideration to make a final decision. If the request is again denied, the applicant may proceed with the appeal process within 60 days of the date of the last denial. A second request for reconsideration will be treated as an appeal to the NCUA Board.

V. D—Mergers, Purchase and Assumptions, and Spin-Offs

There are three additional ways a community federal credit union can expand its field of membership:

- By taking in the field of membership of another credit union through a merger;
- By taking in the field of membership through a purchase and assumption (P&A); or
- By taking a portion of another credit union's field of membership through a spin-off.

V.D. Mergers

Generally, the requirements applicable to field of membership expansions apply to mergers where the continuing credit union is a community federal charter.

Where both credit unions are community charters, the continuing credit union must meet the criteria for expanding the community boundaries. A community credit union cannot merge into a single occupational/associational, or multiple common bond credit union, except in an emergency merger. However, a single occupational or associational, or multiple common bond credit union can merge into a community charter as long as the merging credit union has a service facility within the community boundaries or a majority of the merging credit union's field of membership would qualify for membership in the community charter. While a community charter may take in an occupational, associational, or multiple common bond credit union in a merger, it will remain a community charter.

Groups within the merging credit union's field of membership located outside of the community boundaries may not continue to be served. The merging credit union must notify groups that will be removed from the field of membership as a result of the merger. However, the credit union may continue to serve members of record.

Where a state-chartered credit union is merging into a community federal credit union, the continuing federal credit union's field of membership will be worded in accordance with NCUA policy. Any subsequent field of membership expansions must comply with applicable amendment procedures.

Mergers must be approved by the NCUA regional director or Office of National Examinations and Supervision Director where the continuing credit union is headquartered, with the concurrence of the regional director or Office of National Examinations and Supervision Director of the merging credit union, and, as applicable, the state regulators.

V.D. Emergency Mergers

An emergency merger may be approved by NCUA without regard to common bond or other legal constraints. An emergency merger involves NCUA's direct intervention and approval. The credit union to be merged must either be insolvent or in danger of insolvency, as defined in the Glossary, and NCUA must determine that:

- An emergency requiring expeditious action exists;
- Other alternatives are not reasonably available; and
- The public interest would best be served by approving the merger.

If not corrected, conditions that could lead to insolvency include, but are not limited to:

- Abandonment by management;
- Loss of sponsor;
- Serious and persistent record-keeping problems; or
- Serious and persistent operational concerns.

In an emergency merger situation, NCUA will take an active role in finding a suitable merger partner (continuing credit union). NCUA is primarily concerned that the continuing credit union has the financial

strength and management expertise to absorb the troubled credit union without adversely affecting its own financial condition and stability.

As a stipulated condition to an emergency merger, the field of membership of the merging credit union may be transferred intact to the continuing federal credit union without regard to any field of membership restrictions, including the service facility requirement. Under this authority, a federal credit union may take in any dissimilar field of membership.

Even though the merging credit union is a single common bond credit union or multiple common bond credit union or community credit union, the continuing credit union will remain a community charter. Future community expansions will be based on the continuing credit union's original community area.

Emergency mergers involving federally insured credit unions in different NCUA regions must be approved by the regional director or Office of National Examinations and Supervision Director where the continuing credit union is headquartered, with the concurrence of the regional director or Office of National Examinations and Supervision Director of the merging credit union and, as applicable, the state regulators.

V.D. Purchase and Assumption (P&A)

Another alternative for acquiring the field of membership of a failing credit union is through a consolidation known as a P&A. Generally, the requirements applicable to community expansions found in this chapter apply to purchase and assumptions where the purchasing credit union is a federal charter.

A P&A has limited application because, in most instances, the failing credit union must be placed into involuntary liquidation. However, in the few instances where a P&A may occur, the assuming federal credit union, as with emergency mergers, may acquire the entire field of membership if the emergency criteria are satisfied.

In a P&A processed under the emergency criteria, specified loans, shares, and certain other designated assets and liabilities may also be acquired without regard to field of membership restrictions and without changing the character of the continuing federal credit union for purposes of future field of membership amendments.

If the P&A does not meet the emergency criteria, then only members of record can be obtained unless they otherwise qualify for membership in the community charter.

P&As involving federally insured credit unions in different NCUA regions must be approved by the regional director or Office of National Examinations and Supervision Director where the continuing credit union is headquartered, with the concurrence of the regional director or Office of National Examinations and Supervision Director of the purchased and/or assumed credit union and, as applicable, the state regulators.

V.D.4—Spin-Offs

A spin-off occurs when, by agreement of the parties, a portion of the field of membership, assets, liabilities, shares, and capital of a credit union are transferred to a new or existing credit union. A spin-off is unique in that usually one credit union has a field of membership expansion and the other loses a portion of its field of membership.

All field of membership requirements apply regardless of whether the spun-off group goes to a new or existing federal charter.

The request for approval of a spin-off must be supported with a plan that addresses, at a minimum:

- Why the spin-off is being requested;
- What part of the field of membership is to be spun off;
- Whether the field of membership requirements are met;
- Which assets, liabilities, shares, and capital are to be transferred;
- The financial impact the spin-off will have on the affected credit unions;
- The ability of the acquiring credit union to effectively serve the new members;
- The proposed spin-off date; and
- Disclosure to the members of the requirements set forth above.

The spin-off request must also include current financial statements from the affected credit unions and the proposed voting ballot.

For federal credit unions spinning off a portion of the community, membership notice and voting requirements and procedures are the same as for mergers (see part 708 of the NCUA Rules and Regulations), except that only the members directly affected by the spin-off—those whose shares are to be transferred—are permitted to vote. Members whose shares are not being transferred will not be afforded the opportunity to vote. All members of the group to be spun off (whether they voted in favor, against, or not at all) will be transferred if the spin-off is approved by the voting membership. Voting requirements for federally insured state credit unions are governed by state law.

V.E—Overlaps

V.E.1—General

Generally, an overlap exists when a group of persons is eligible for membership in two or more credit unions. NCUA will permit community credit unions to overlap any other charters without performing an overlap analysis.

V.E. Exclusionary Clauses

An exclusionary clause is a limitation precluding the credit union from serving the primary members of a portion of a group or community otherwise included in its field of membership.

NCUA no longer grants exclusionary clauses. Those granted prior to the adoption of this new Chartering and Field of Membership Manual will remain in effect unless the credit unions agree to remove them or one of the affected credit unions submits a housekeeping amendment to have it removed.

V.F—Charter Conversions

A community federal credit union may convert to a single occupational or associational, or multiple common bond credit union. The converting credit union must meet all occupational, associational, and multiple common bond requirements, as applicable. The converting credit union may continue to serve members of record of the prior field of membership as of the date of the conversion, and any groups or communities obtained in an emergency merger or P&A. A change to the credit union's field of membership and designated common bond will be necessary.

A community credit union may convert to serve a new geographical area provided the field of membership requirements of V.A.3 of this chapter are met. Members of record of the original community can continue to be served.

V.G—Other Persons With a Relationship to the Community

A number of persons who have a close relationship to the community may be included, at the charter applicant's option, in the field of membership. These include the following:

- Spouses of persons who died while within the field of membership of this credit union;
- Employees of this credit union;
- Volunteers in the community;
- Members of the immediate family or household; and
- Organizations of such persons

Immediate family is defined as spouse, child, sibling, parent, grandparent, or grandchild. This includes stepparents, stepchildren, stepsiblings, and adoptive relationships.

Household is defined as persons living in the same residence maintaining a single economic unit.

Membership eligibility is extended only to individuals who are members of an ''immediate family or household'' of a credit union member. It is not necessary for the primary member to join the credit union in order for the immediate family or household member of the primary member to join, provided the immediate family or household clause is included in the field of membership. However, it is necessary for the immediate family member or household member to first join in order for that person's immediate family member or household member to join the credit union. A credit union can adopt a more restrictive definition of immediate family or household.

Under the Federal Credit Union Act, once a person becomes a member of the credit union, such person may remain a member of the credit union until the person chooses to withdraw or is expelled from the membership of the credit union. This is commonly referred to as ''once a member, always a member.'' The ''once a member, always a member'' provision does not prevent a credit union from restricting services to members who are no longer within the field of membership.

Chapter 3—Low-Income Credit Unions and Credit Unions Serving Underserved Areas

I—Introduction

One of the primary reasons for the creation of federal credit unions is to make credit available to people of modest means for

provident and productive purposes. To help NCUA fulfill this mission, the agency has established special operational policies for federal credit unions that serve low-income groups and underserved areas. The policies provide a greater degree of flexibility that will enhance and invigorate capital infusion into low-income groups, low-income communities, and underserved areas. These unique policies are necessary to provide credit unions serving low-income groups with financial stability and potential for controlled growth and to encourage the formation of new charters as well as the delivery of credit union services in low-income communities.

II—Low-Income Credit Union

II.A—Defined

A credit union serving predominantly low-income members may be designated as a low-income credit union. Section 701.34 of NCUA's Rules and Regulations defines the term ''low- income members'' as those members:

- Who make less than 80 percent of the average for all wage earners as established by the Bureau of Labor Statistics; or
- Whose median family income falls at or below 80 percent of the median family income for the nation as established by the Census Bureau.

The term ''low-income members'' also includes members who are full-time or part-time students in a college, university, high school, or vocational school.

To obtain a low-income designation from NCUA, an existing credit union must establish that a majority of its members meet the low-income definition. An existing community credit union that serves a geographic area where a majority of residents meet the annual income standard is presumed to be serving predominantly low-income members. A low-income designation for a new credit union charter may be based on a majority of the potential membership.

II.B—Special Programs

A credit union with a low-income designation has greater flexibility in accepting nonmember deposits insured by the NCUSIF, are exempt from the aggregate loan limit on business loans, and may offer secondary capital accounts to strengthen its capital base. It also may participate in special funding programs such as the Community Development Revolving Loan Program for Credit Unions (CDRLP) if it is involved in the stimulation of economic development and community revitalization efforts.

The CDRLP provides both loans and grants for technical assistance to low-income credit unions. The requirements for participation in the revolving loan program are in part 705 of the NCUA Rules and Regulations. Only operating credit unions are eligible for participation in this program.

II.C—Low-Income Documentation

A federal credit union charter applicant or existing credit union wishing to receive a low- income designation should forward a separate request for the designation to the Office of Consumer Financial Protection and Access Director, along with appropriate documentation supporting the request.

For community charter applicants, the supporting material should include the median family income or annual wage figures for the community to be served. If this information is unavailable, the applicant should identify the individual zip codes or census tracts that comprise the community and NCUA will assist in obtaining the necessary demographic data.

Similarly, if single occupational or associational or multiple common bond charter applicants cannot supply income data on its potential members, they should provide the Office of Consumer Financial Protection and Access Director with a list which includes the number of potential members, sorted by their residential zip codes, and NCUA will assist in obtaining the necessary demographic data.

An existing credit union can perform a loan or membership survey to determine if the credit union is primarily serving low-income members.

II.D—Third-Party Assistance

A low-income federal credit union charter applicant may contract with a third party to assist in the chartering and low-income designation process. If the charter is granted, a low-income credit union may contract with a third party to provide necessary management services. Such contracts should not exceed the duration of one year subject to renewal.

II.E—Special Rules for Low-Income Federal Credit Unions

In recognition of the unique efforts needed to help make credit union service available to low-income groups, NCUA has adopted special rules that pertain to low-income credit union charters, as well as field of membership additions for low-income credit unions. These special rules provide additional latitude to enable underserved, low-income individuals to gain access to credit union service.

NCUA permits credit union chartering and field of membership amendments based on associational groups formed for the sole purpose of making credit union service available to low- income persons. The association must be defined so that all of its members will meet the low- income definition of Section 701.34 of the NCUA Rules and Regulations. Any multiple common bond credit union can add low-income associations to their fields of membership.

A low-income designated community federal credit union has additional latitude in serving persons who are affiliated with the community. In addition to serving members who live, work, worship, or attend school in the community, a low-income community federal credit union may also serve persons who participate in programs to alleviate poverty or distress, or who participate in associations headquartered in the community.

Examples of a low-income designated community and an associational-based low-income federal credit union are as follows:

- Persons who live in [the target area]; persons who work, worship, attend school, or participate in associations headquartered in [the target area]; persons participating in programs to alleviate poverty or distress which are located in [the target area]; incorporated and unincorporated organizations located in [the target area] or maintaining a facility in [the target area]; and organizations of such persons.
- Members of the Canarsie Economic Assistance League, in Brooklyn, NY, an association whose members all meet the low-income definition of Section 701.34 of the NCUA Rules and Regulations.

III—Service to Underserved Communities

III.A—General

A multiple common bond federal credit union may include in its field of membership, without regard to location, an ''underserved area'' as defined by the Federal Credit Union Act. 12

U.S.C. 1759(c)(2). The addition of an ''underserved area'' will not change the charter type of the multiple common bond federal credit union. More than one multiple common-bond federal credit union can serve the same ''underserved area,'' provided each credit union is approved as provided below.

By adding an ''underserved area,'' a multiple common bond federal credit union does not become eligible to receive the benefits afforded to low-income designated credit unions, such as expanded use of nonmember deposits and access to the Community Development Revolving Loan Program for Credit Unions.

III.B—''Underserved Area'' Defined

The Federal Credit Union Act defines an ''underserved area'' as (1) a ''local community, neighborhood, or rural district'' that (2) meets the definition of an ''investment area'' under section 103(16) of the Community Development Banking and Financial Institutions Act of 1994 (''CDFI''), 12 U.S.C. 4702(16), and (3) is ''underserved by other depository institutions'' based on data of the NCUA Board and the federal banking agencies.

III.B.1—Local Community

To be eligible for approval as ''underserved,'' a proposed area must be a well-defined local community, neighborhood, or rural district as defined in Chapter 2, sections V.A.1. and V.A.2. of this Manual.

III.B.2—Investment Area

To be approved as an ''underserved area,'' the proposed area must meet the CDFI definition of an ''investment area.'' *Id.* § 4702(16). A proposed area that, at the time the credit union applies, is designated in its entirety as an Empowerment Zone or Enterprise Community (*id.* § 1391) automatically qualifies as an ''investment area''; no further criteria of an ''investment area'' must be met. *Id.* § 4702(16)(B). A proposed area that is not designated as such must qualify as an ''investment area'' under ''the objective criteria of economic distress'' developed by the CDFI Fund (''distress criteria'') based on current decennial U.S. Census data, and also must have ''significant unmet needs'' for loans and financial services that credit unions are authorized to offer to their members. *Id.* § 4702(16)(A).

III.B.2. Economic Distress Criteria

Geographic Unit(s) By Proposed Area's Location. The location of a proposed ''underserved area'' either within or outside of a Metropolitan Statistical Area corresponding to the most recent completed decennial census published by the U.S. Bureau of the Census (''decennial Census'') determines the geographic unit(s) that apply to determine whether the area meets the distress criteria.

Within a Metropolitan Statistical Area. For a proposed area located, in whole or in part, within a Metropolitan Statistical Area, the permissible geographic units (''Metro units'') for implementing the economic distress criteria are: (i) A census tract; (ii) a block group; and (iii) an American Indian or Alaskan Native area. 12 CFR 1805.201(b)(3)(ii)(B) (2008). For ease of implementation, it is advisable to use a census tract as the proposed area's Metro unit.

Outside a Metropolitan Statistical Area. For a proposed area that is located entirely outside a Metropolitan Statistical Area, the permissible units (''Non-Metro units'') for implementing the economic distress criteria are: (i) A county or equivalent area; (ii) a minor civil division that is a unit of local government; (iii) an incorporated place; (iv) a census tract; (v) a block numbering area; (vi) a block group; and (vii) an American Indian or Alaskan Native area. *Id.* For ease of implementation, it is advisable to use either a census tract or county, as the case may be, as the proposed area's Non-Metro unit.

Proposed Area Consisting of a Single Metro Unit. A proposed area consisting of a single whole Metro unit (*e.g.,* a single census tract located within a Metropolitan Statistical Area) must meet one of the following distress criteria, as reported by the most recent decennial Census:

- *Unemployment.* The proposed area's unemployment rate is at least 1.5 times the national average; or
- *Poverty.* At least 20 percent (20%) of the proposed area's population lives in poverty; or
- *Median Family Income.* The proposed area's Median Family Income (''MFI'') is at or below 80 percent (80%) of either the MFI of the corresponding Metropolitan Statistical Area, or of the national MFI for Metro Areas, whichever is greater; or
- *Other Criterion.* Any other economic distress criterion the CDFI Fund may adopt in the future.

Id. § 1805.201(b)(3)(ii)(D)(1), (2)(i) and (3) (2008).

Proposed Area Consisting of a Single Non-Metro Unit. A proposed area consisting of a single whole Non-Metro unit (*e.g.,* a single county located outside a Metropolitan Statistical Area) must meet one of the following distress criteria, as reported by the most recent decennial Census:

- *Unemployment.* The proposed area's unemployment rate is at least 1.5 times the national average; or
- *Poverty.* At least 20 percent (20%) of the proposed area's population lives in poverty; or
- *Median Family Income.* The proposed area's MFI is at or below 80 percent (80%) of either the corresponding state's Non-Metro MFI or the national MFI for Non-Metro Areas, whichever is greater; or
- *Other Criterion.* Any other economic distress criterion the CDFI Fund may adopt in the future.

Id. § 1805.201(b)(3)(ii)(D)(1), (2)(ii) and (3) (2008). Alternatively, a proposed area consisting of a single Non-Metro county (located outside a Metropolitan Statistical Area) may instead meet either of the following two criteria, as reported by the decennial Census:

- *County Population Loss.* County's population loss of at least 10 percent (10%) between the most recent and the preceding decennial Census; or
- *County Migration Loss.* County's net migration loss of at least 5 percent (5%) in the 5- year period preceding the most recent decennial Census.

Id. § 1805.201(b)(3)(ii)(D)(4)–(5) (2008).

Proposed Area Consisting of Multiple Contiguous Units. When a proposed area consists of either multiple contiguous Metro units (*e.g.,* a group of adjoining census tracts) or multiple contiguous Non-Metro units (*e.g.,* a group of adjoining counties), a population threshold applies when implementing the economic distress criteria. At least 85 percent (85%) of the area's total population must reside within the units that are ''distressed,'' *i.e.,* that meet one of the applicable economic distress criteria above, as reported by the decennial Census (Unemployment, Poverty and MFI for census tracts plus, for counties only, Population Loss and Migration Loss); the balance of the area's population may reside in the non-''distressed'' tract(s). The population threshold is met, and the whole proposed area qualifies as ''distressed,'' when the ''distressed'' units represent at least 85 percent of the area's total population.

III.B.2.b—Proposed Area's ''Significant Unmet Needs''

A proposed area that is ''distressed'' also must display ''significant unmet needs'' for loans or for one or more of the financial services credit unions are authorized to offer. To meet this criterion, the credit union must include within its Business Plan a section, one page in length, entitled ''Significant Unmet Needs for Credit Union Services'' (''SUN section'') that establishes the existence of such unmet needs by identifying the credit and depository needs of the community and detailing how the credit union plans to serve those needs. The credit union may choose which among the following ''credit and depository needs'' to address in the SUN section: loans, share draft accounts, savings accounts, check cashing, money orders, certified checks, automated teller machines, deposit taking, safe deposit box services, and similar services. The existence of each ''credit and depository need'' the credit union identifies and plans to serve must be supported by objective reasons and/or accompanying documentation derived from an identified, authoritative source of the credit union's choice. Third-party documentation generally is the most compelling.

III.B.3—Underserved by Other Depository Institutions

A proposed area that meets the CDFI definition of an ''investment area'' (*i.e.,* is ''distressed'' and has ''significant unmet needs'') must also be underserved by other insured depository institutions, including credit unions. 12 U.S.C. 1759(c)(2)(A)(ii). This statutory criterion is met when the concentration of depository institution facilities among the population of the proposed area's non-''distressed'' tracts—which sets a benchmark level of adequate service—is greater than the concentration of facilities among the population of all of the proposed area's census tracts combined. This establishes the area's concentration of facilities ratio. If there are no non-''distressed'' tracts within a proposed area, a non-''distressed'' census tract or larger geographic unit (*e.g.,* city or county) of the credit union's choice that adjoins the proposed area may be used to set the benchmark concentration ratio.

Without regard to a proposed area's location within or outside a Metropolitan Statistical Area, this criterion compares two ratios: the ratio of facilities to the population of the non- ''distressed'' tracts (the benchmark) versus the same facilities-to-population ratio among all the tracts of the proposed area as a whole. If the benchmark ratio is greater than the ratio for the whole area, then the area is ''underserved by other depository institutions,'' and vice versa.

When, as the result of an initial Concentration of Facilities ratio calculation, a proposed area does not qualify as ''underserved by other depository institutions,'' NCUA will exclude non-depository banks (*e.g.,* trust companies) and non-community credit unions (*i.e.,* those institutions unable to serve the general public) from the computation. For the purposes of this analysis, a multiple common bond credit union already serving the area as an underserved area is considered able to serve the general public and thus would not be excluded. With both of these exclusions, NCUA will recalculate the concentration of facilities ratio to determine whether, as a result, the proposed area qualifies as ''underserved by other depository institutions.''

As one alternative to the concentration of facilities ratio, a proposed area will qualify as ''underserved by other depository institutions'' if it is designated an ''underserved county'' by NCUA based on data produced by the Consumer Financial Protection Bureau (available at: *http://www.consumerfinance.gov/guidance/#ruralunderserved).* NCUA will make its list of ''underserved counties'' available on its Web site.

As another alternative to the concentration of facilities ratio, a proposed area will qualify as ''underserved by other depository institutions'' if the credit seeking to serve it, using a metric of its own choosing, provided that it is based on NCUA or other Federal banking agency data, that establishes to NCUA that the proposed area is ''underserved by other depository institutions.''

III.C—NCUA Approval

If NCUA approves the request to add an ''underserved area,'' the credit union will be issued an amendment to Section 5 of its charter.

III.D—Approval to Serve an Already Approved ''Underserved Area''

Once a credit union is initially approved to serve an ''underserved area,'' other credit unions that subsequently apply may be approved to serve the same area. To be approved, the area must qualify as ''underserved'' at the time the new applicant applies. An applicant must demonstrate that the area continues to be ''distressed'', as provided above, only if a new decennial Census has been published since the date the area was last approved. In any case, the applicant must demonstrate that the area still has ''significant unmet needs'' for loans or credit union services (to qualify as an ''investment area''), and remains ''underserved by other depository institutions'' (to qualify as ''underserved'').

III.E—Business Plan

A federal credit union that desires to include an underserved community in its field of membership must first develop, and submit for approval, a business plan specifying how it will serve the community. In addition, the business plan must include a SUN section as provided in section III.B.2.b. above. The credit union will be expected to regularly review the business plan to determine if the community is being adequately served. The Office of Consumer Financial Protection and Access Director may require periodic service status reports from a credit union about the ''underserved area'' to ensure that the needs of the community are being met, and must require such reports before NCUA allows a multiple common bond federal credit union to add an additional ''underserved area.''

III.F—Service Facility

Once an ''underserved area'' has been added to a federal credit union's field of membership, the credit union must establish within two years, and maintain, an office or service facility in the community. A service facility is defined as a place where shares are accepted for members' accounts, loan applications are accepted and loans are disbursed. By definition, a service facility includes a credit union-owned branch, a shared branch, a mobile branch, or an office operated on a regularly scheduled weekly basis or a credit union owned electronic facility that meets, at a minimum, the above requirements. This definition does not include an ATM or the credit union's Internet Web site.

IV—Appeal Procedures for Denial of Underserved Area

IV.A—NCUA Disapproval

When NCUA disapproves any application to add an ''underserved area'' in whole or in part, under this chapter, the applicant will be informed in writing of the:

- Specific reasons for the action;
- Options to consider, if appropriate, for gaining approval; and
- Appeal procedures.

IV.B—Appeal of Office of Consumer Financial Protection and Access Director Decision

If the Office of Consumer Financial Protection and Access Director denies an ''underserved area'' request, the federal credit union may appeal the decision to the NCUA Board. An appeal must be sent to the NCUA Board Secretary within 60 days of the date of denial. The appeal must be clearly identified as such and address the specific reason(s) the federal credit union disagrees with the denial. A copy of the appeal must be sent to the Office of Consumer Financial Protection and Access. NCUA central office staff will make an independent review of the facts and present the appeal to the NCUA Board with a recommendation.

Before appealing, the credit union may, within 30 days of the denial, provide supplemental information to the Office of Consumer Financial Protection and Access Director for reconsideration. A reconsideration will contain new and material evidence addressing the reasons for the initial denial. The Office of Consumer Financial Protection and Access Director will have 30 days from the date of the receipt of the request for reconsideration to make a final decision. If the request is again denied, the applicant may proceed with the appeal process within 60 days of the date of the last denial. A second request for reconsideration will be treated as an appeal to the NCUA Board.

Chapter 4—Charter Conversions

I—Introduction

A charter conversion is a change in the jurisdictional authority under which a credit union operates.

Federal credit unions receive their charters from NCUA and are subject to its supervision, examination, and regulation.

State-chartered credit unions are incorporated in a particular state, receiving their charter from the state agency responsible for credit unions and subject to the state's regulator. If the state-chartered credit union's deposits are federally insured, it will also fall under NCUA's jurisdiction.

A federal credit union's power and authority are derived from the Federal Credit Union Act and NCUA Rules and Regulations. State-chartered credit unions are governed by state law and regulation. Certain federal laws and regulations also apply to federally insured state chartered credit unions.

There are two types of charter conversions: federal charter to state charter and state charter to federal charter. Common bond and community requirements are not an issue from NCUA's standpoint in the case of a federal to state charter conversion. The procedures and forms relevant to both types of charter conversion are included in appendix 4.

II—Conversion of a State Credit Union to a Federal Credit Union

II.A—General Requirements

Any state-chartered credit union may apply to convert to a federal credit union. In order to do so it must:

- Comply with state law regarding conversion and file proof of compliance with NCUA;
- File the required conversion application, proposed federal credit union organization certificate, and other documents with NCUA;
- Comply with the requirements of the Federal Credit Union Act, *e.g.,* chartering and reserve requirements; and
- Be granted federal share insurance by NCUA.

Conversions are treated the same as any initial application for a federal charter, including an on-site examination by NCUA where appropriate. NCUA will also consult with the appropriate state authority regarding the credit union's current financial condition, management expertise, and past performance. Since the applicant in a conversion is an ongoing credit union, the economic advisability of granting a charter is more readily determinable than in the case of an initial charter applicant.

A converting state credit union's field of membership must conform to NCUA's chartering policy. The field of membership will be phrased in accordance with NCUA chartering policy. However, if the converting credit union is a multiple group charter and the new federal charter is a multiple group, then the new federal charter may retain in its field of membership any group that the state credit union was serving at the time of conversion. Subsequent changes must conform to NCUA chartering policy in effect at that time.

If the converting credit union is a community charter and the new federal charter is community-based, it must meet the community field of membership requirements set forth in Chapter 2, Section V of this manual. If the state-chartered credit union's community boundary is more expansive than the approved federal boundary, only members of record outside of the new community boundary may continue to be served.

The converting credit union, regardless of charter type, may continue to serve members of record. The converting credit union may retain in its field of membership any group or community added pursuant to state emergency provisions.

II.B—Submission of Conversion Proposal to NCUA

The following documents must be submitted with the conversion proposal:

- Conversion of State Charter to Federal Charter (NCUA 4000);
- Organization Certificate (NCUA 4008). Only Part (3) and the signature/notary section should be completed and, where applicable, signed by the credit union officials.
- Report of Officials and Agreement to Serve (NCUA 4012);
- The Application to Convert From State Credit Union to Federal Credit Union (NCUA 4401);
- The Application and Agreements for Insurance of Accounts (NCUA 9500);
- Certification of Resolution (NCUA 9501);
- Written evidence regarding whether the state regulator is in agreement with the conversion proposal; and

• Business plan, as appropriate, including the most current financial report and delinquent loan schedule.

If the state charter is applying to become a federal community charter, it must also comply with the documentation requirements included in Chapter 2, Section V.A.2 of this manual.

II.C—NCUA Consideration of Application To Convert

II.C.1—Review by the Office of Consumer Financial Protection and Access Director

The application will be reviewed to determine that it is complete and that the proposal is in compliance with Section 125 of the Federal Credit Union Act. This review will include a determination that the state credit union's field of membership is in compliance with NCUA's chartering policies. The Office of Consumer Financial Protection and Access Director may make further investigation into the proposal and may require the submission of additional information to support the request to convert.

II.C.2—On-Site Review

NCUA may conduct an on-site examination of the books and records of the credit union. Non-federally insured credit unions will be assessed an insurance application fee.

II.C.3—Approval by the Office of Consumer Financial Protection and Access Director and Conditions to the Approval

The conversion will be approved by the Office of Consumer Financial Protection and Access Director if it is in compliance with Section 125 of the Federal Credit Union Act and meets the criteria for federal insurance. Where applicable, the Office of Consumer Financial Protection and Access Director will specify any special conditions that the credit union must meet in order to convert to a federal charter, including changes to the credit union's field of membership in order to conform to NCUA's chartering policies. Some of these conditions may be set forth in a Letter of Understanding and Agreement (LUA), which requires the signature of the officials and the appropriate NCUA regional director or Office of National Examinations and Supervision Director.

II.C.4—Notification

The Office of Consumer Financial Protection and Access Director will notify both the credit union and the state regulator of the decision on the conversion.

II.C.5—NCUA Disapproval

When NCUA disapproves any application to convert to a federal charter, the applicant will be informed in writing of the:

• Specific reasons for the action;

• Options to consider, if appropriate, for gaining approval; and

• Appeal procedures.

II.C.6—Appeal of Office of Consumer Financial Protection and Access Director Decision

If a conversion to a federal charter is denied by the Office of Consumer Financial Protection and Access Director, the applicant credit union may appeal the decision to the NCUA Board. An appeal must be sent to the NCUA Board Secretary within 60 days of the date of denial. The appeal must be clearly identified as such and address the specific reason(s) the credit union disagrees with the denial. A copy of the appeal must be sent to the Office of Consumer Financial Protection and Access. NCUA central office staff will make an independent review of the facts and present the appeal to the NCUA Board with a recommendation.

Before appealing, the credit union may, within 30 days of the denial, provide supplemental information to the Office of Consumer Financial Protection and Access Director for reconsideration. The request will not be considered as an appeal, but a request for reconsideration by the Office of Consumer Financial Protection and Access Director. The Office of Consumer Financial Protection and Access Director will have 30 business days from the date of the receipt of the request for reconsideration to make a final decision. If the application is again denied, the credit union may proceed with the appeal process to the NCUA Board within 60 days of the date of the last denial by the Office of Consumer Financial Protection and Access Director.

II.D—Action by Board of Directors

II.D.1—General

Upon being informed of the Office of Consumer Financial Protection and Access Director's preliminary approval, the board must:

• Comply with all requirements of the state regulator that will enable the credit union to convert to a federal charter and cease being a state credit union;

• Obtain a letter or official statement from the state regulator certifying that the credit union has met all of the state requirements and will cease to be a state credit union upon its receiving a federal charter. A copy of this document must be submitted to the Office of Consumer Financial Protection and Access Director;

• Obtain a letter from the private share insurer (includes excess share insurers), if applicable, certifying that the credit union has met all withdrawal requirements. A copy of this document must be submitted to the Office of Consumer Financial Protection and Access Director; and

• Submit a statement of the action taken to comply with any conditions imposed by the Office of Consumer Financial Protection and Access Director in the preliminary approval of the conversion proposal and, if applicable, submit the signed LUA.

II.D.Application for a Federal Charter

When the Office of Consumer Financial Protection and Access Director has received evidence that the board of directors has satisfactorily completed the actions described above, the federal charter and new Certificate of Insurance will be issued.

The credit union may then complete the conversion as discussed in the following section. A denial of a conversion application can be appealed. Refer to Section II.C.6 of this chapter.

II.E—Completion of the Conversion

II.E.—Effective Date of Conversion

The date on which the Office of Consumer Financial Protection and Access Director approves the Organization Certificate and the Application and Agreements for Insurance of Accounts is the date on which the credit union becomes a federal credit union. The Office of Consumer Financial Protection and Access Director will notify the credit union and the state regulator of the date of the conversion.

II.E.2—Assumption of Assets and Liabilities

As of the effective date of the conversion, the federal credit union will be the owner of all of the assets and will be responsible for all of the liabilities and share accounts of the state credit union.

II.E.3—Board of Directors' Meeting

Upon receipt of its federal charter, the board will hold its first meeting as a federal credit union. At this meeting, the board will transact such business as is necessary to complete the conversion as approved and to operate the credit union in accordance with the requirements of the Federal Credit Union Act and NCUA Rules and Regulations.

As of the commencement of operations, the accounting system, records, and forms must conform to the standards established by NCUA.

II.E.4—Credit Union's Name

Changing of the credit union's name on all signage, records, accounts, investments, and other documents should be accomplished as soon as possible after conversion. The credit union has 180 days from the effective date of the conversion to change its signage and promotional material. This requires the credit union to discontinue using any remaining stock of ''state credit union'' stationery immediately, and discontinue using credit cards, ATM cards, etc., within 180 days after the effective date of the conversion, or the reissue date whichever is later. The Office of Consumer Financial Protection and Access Director has the discretion to extend the timeframe for an additional 180 days. Member share drafts with the state-chartered name can be used by the members until depleted.

II.E.Reports to NCUA

Within 10 business days after commencement of operations, the recently converted federal credit union must submit to the Office of Consumer Financial Protection and Access Director the following:

• Report of Officials (NCUA 4501); and

• Financial and Statistical Reports, as of the commencement of business of the federal credit union.

III—Conversion of a Federal Credit Union to a State Credit Union

III.A—General Requirements

Any federal credit union may apply to convert to a state credit union. In order to do so, it must:

• Notify NCUA prior to commencing the process to convert to a state charter and state the reason(s) for the conversion;

• Comply with the requirements of Section 125 of the Federal Credit Union Act that

enable it to convert to a state credit union and to cease being a federal credit union; and

• Comply with applicable state law and the requirements of the state regulator.

It is important that the credit union provide an accurate disclosure of the reasons for the conversion. These reasons should be stated in specific terms, not as generalities. The federal credit union converting to a state charter remains responsible for the entire operating fee for the year in which it converts.

III.B—Special Provisions Regarding Federal Share Insurance

If the federal credit union intends to continue federal share insurance after the conversion to a state credit union, it must submit an Application for Insurance of Accounts (NCUA 9600) to the Office of Consumer Financial Protection and Access Director at the time it requests approval of the conversion proposal. The Office of Consumer Financial Protection and Access Director has the authority to approve or disapprove the application.

If the converting federal credit union does not intend to continue federal share insurance or if its application for continued insurance is denied, insurance will cease in accordance with the provisions of Section 206 of the Federal Credit Union Act.

If, upon its conversion to a state credit union, the federal credit union will be terminating its federal share insurance or converting from federal to non-federal share insurance, it must comply with the membership notice and voting procedures set forth in Section 206 of the Federal Credit Union Act and part 708 of NCUA's Rules and Regulations, and address the criteria set forth in Section 205(c) of the Federal Credit Union Act.

Where the state credit union will be non-federally insured, federal insurance ceases on the effective date of the charter conversion. If it will be otherwise uninsured, then federal insurance will cease one year after the date of conversion subject to the restrictions in Section 206(d)(1) of the Federal Credit Union Act. In either case, the state credit union will be entitled to a refund of the federal credit union's NCUSIF capitalization deposit after the final date on which any of its shares are federally insured.

The NCUA Board reserves the right to delay the refund of the capitalization deposit for up to one year if it determines that payment would jeopardize the NCUSIF.

III.C—Submission of Conversion Proposal to NCUA

Upon approval of a proposition for conversion by a majority vote of the board of directors at a meeting held in accordance with the federal credit union's bylaws, the conversion proposal will be submitted to the Office of Consumer Financial Protection and Access Director and will include:

• A current financial report;

• A current delinquent loan schedule;

• An explanation and appropriate documents relative to any changes in insurance of member accounts;

• A resolution of the board of directors;

• A proposed Notice of Special Meeting of the Members (NCUA 4221);

• A copy of the ballot to be sent to all members (NCUA 4506);

• If the credit union intends to continue with federal share insurance, an application for insurance of accounts (NCUA 9600);

• Evidence that the state regulator is in agreement with the conversion proposal; and

• A statement of reasons supporting the request to convert.

III.D—Approval of Proposal to Convert

III.D.1—Review by the Office of Consumer Financial Protection and Access Director

The proposal will be reviewed to determine that it is complete and is in compliance with Section 125 of the Federal Credit Union Act. The Office of Consumer Financial Protection and Access Director may make further investigation into the proposal and require the submission of additional information to support the request.

III.D.2—Conditions to the Approval

The Office of Consumer Financial Protection and Access Director will specify any special conditions that the credit union must meet in order to proceed with the conversion.

III.D.3—Approval by the Office of Consumer Financial Protection and Access Director

The proposal will be approved by the Office of Consumer Financial Protection and Access Director if it is in compliance with Section 125 and, in the case where the state credit union will no longer be federally insured, the notice and voting requirements of Section 206 of the Federal Credit Union Act.

III.D.4—Notification

The Office of Consumer Financial Protection and Access Director will notify both the credit union and the state regulator of the decision on the proposal.

III.D.UA Disapproval

When NCUA disapproves any application to convert to a state charter, the applicant will be informed in writing of the:

• Specific reasons for the action;

• If appropriate, options or suggestions that could be considered for gaining approval; and

• Appeal procedures.

III.D.6—Appeal of Office of Consumer Financial Protection and Access Director Decision

If the Office of Consumer Financial Protection and Access Director denies a conversion to a state charter, the federal credit union may appeal the decision to the NCUA Board. An appeal must be sent to the NCUA Board Secretary within 60 days of the date of denial. The appeal must be clearly identified as such and address the specific reason(s) the federal credit union disagrees with the denial. A copy of the appeal must be sent to the Office of Consumer Financial Protection and Access. NCUA central office staff will make an independent review of the facts and present the appeal to the NCUA Board with a recommendation.

Before appealing, the credit union may, within 30 days of the denial, provide supplemental information to the Office of Consumer Financial Protection and Access Director for reconsideration. The request will not be considered as an appeal, but a request for reconsideration by the Office of Consumer Financial Protection and Access Director. The Office of Consumer Financial Protection and Access Director will have 30 business days from the date of the receipt of the request for reconsideration to make a final decision. If the application is again denied, the credit union may proceed with the appeal process to the NCUA Board within 60 days of the date of the last denial by the Office of Consumer Financial Protection and Access Director.

III.E—Approval of Proposal by Members

The members may not vote on the proposal until it is approved by the Office of Consumer Financial Protection and Access Director. Once approval of the proposal is received, the following actions will be taken by the board of directors:

• The proposal must be submitted to the members for approval and a date set for a meeting to vote on the proposal. The proposal may be acted on at the annual meeting or at a special meeting for that purpose. The members must also be given the opportunity to vote by written ballot to be filed by the date set for the meeting.

• Members must be given advance notice (NCUA 4221) of the meeting at which the proposal is to be submitted. The notice must:

• Specify the purpose, time and place of the meeting;

• Include a brief, complete, and accurate statement of the reasons for and against the proposed conversion, including any effects it could have upon share holdings, insurance of member accounts, and the policies and practices of the credit union;

• Specify the costs of the conversion, *i.e.,* changing the credit union's name, examination and operating fees, attorney and consulting fees, tax liability, etc.;

• Inform the members that they have the right to vote on the proposal at the meeting, or by written ballot to be filed not later than the date and time announced for the annual meeting, or at the special meeting called for that purpose;

• Be accompanied by a Federal to State Conversion—Ballot for Conversion Proposal (NCUA 4506); and

• State in **bold** face type that the issue will be decided by a majority of members who vote.

• The proposed conversion must be approved by a majority of all of the members who vote on the proposal, a quorum being present, in order for the credit union to proceed further with the proposition, provided federal insurance is maintained. If the proposed state-chartered credit union will not be federally insured, 20 percent of the total membership must participate in the voting, and of those, a majority must vote in favor of the proposal. Ballots cast by members who did not attend the meeting but who submitted their ballots in accordance with instructions above will be counted with votes cast at the meeting. In order to have a suitable record of the vote, the voting at the meeting should be by written ballot as well.

• The board of directors shall, within 10 days, certify the results of the membership

vote to the Office of Consumer Financial Protection and Access Director. The statement shall be verified by affidavits of the Chief Executive Officer and the Recording Officer on NCUA 4505.

III.F—Compliance With State Laws

If the proposal for conversion is approved by a majority of all members who voted, the board of directors will:

• Ensure that all requirements of state law and the state regulator have been accommodated;

• Ensure that the state charter or the license has been received within 90 days from the date the members approved the proposal to convert; and

• Ensure that the Office of Consumer Financial Protection and Access Director is kept informed as to progress toward conversion and of any material delay or of substantial difficulties which may be encountered.

If the conversion cannot be completed within the 90-day period, the Office of Consumer Financial Protection and Access Director should be informed of the reasons for the delay. The Office of Consumer Financial Protection and Access Director may set a new date for the conversion to be completed.

III.G—Completion of Conversion

In order for the conversion to be completed, the following steps are necessary:

• The board of directors will submit a copy of the state charter to the Office of Consumer Financial Protection and Access Director within 10 days of its receipt. This will be accompanied by the federal charter and the federal insurance certificate. A copy of the financial reports as of the preceding month-end should be submitted at this time.

• The Office of Consumer Financial Protection and Access Director will notify the credit union and the state regulator in writing of the receipt of evidence that the credit union has been authorized to operate as a state credit union.

• The credit union shall cease to be a federal credit union as of the effective date of the state charter.

• If the Office of Consumer Financial Protection and Access Director finds a material deviation from the provisions that would invalidate any steps taken in the conversion, the credit union and the state regulator shall be promptly notified in writing. This notice may be either before or after the copy of the state charter is filed with the Office of Consumer Financial Protection and Access Director. The notice will inform the credit union as to the nature of the adverse findings. The conversion will not be effective and completed until the improper actions and steps have been corrected.

• Upon ceasing to be a federal credit union, the credit union shall no longer be subject to any of the provisions of the Federal Credit Union Act, except as may apply if federal share insurance coverage is continued. The successor state credit union shall be immediately vested with all of the assets and shall continue to be responsible for all of the obligations of the federal credit union to the same extent as though the conversion had not taken place. Operation of the credit union from this point will be in accordance with the requirements of state law and the state regulator.

• If the Office of Consumer Financial Protection and Access Director is satisfied that the conversion has been accomplished in accordance with the approved proposal, the federal charter will be canceled.

• There is no federal requirement for closing the records of the federal credit union at the time of conversion or for the manner in which the records shall be maintained thereafter. The converting credit union is advised to contact the state regulator for applicable state requirements.

• The credit union shall neither use the words ''Federal Credit Union'' in its name nor represent itself in any manner as being a federal credit union.

• Changing of the credit union's name on all signage, records, accounts, investments, and other documents should be accomplished as soon as possible after conversion. Unless it violates state law, the credit union has 180 days from the effective date of the conversion to change its signage and promotional material. This requires the credit union to discontinue using any remaining stock of ''federal credit union'' stationery immediately, and discontinue using credit cards, ATM cards, etc., within 180 days after the effective date of the conversion, or the reissue date, whichever is later. The Office of Consumer Financial Protection and Access Director has the discretion to extend the timeframe for an additional 180 days. Member share drafts with the federal chartered name can be used by the members until depleted. If the state credit union is not federally insured, it must change its name and must immediately cease using any credit union documents referencing federal insurance.

• If the state credit union is to be federally insured, the Office of Consumer Financial Protection and Access Director will issue a new insurance certificate.

APPENDIX 1 GLOSSARY

These definitions apply only for use with this Manual. Definitions are not intended to be all inclusive or comprehensive. This Manual, the Federal Credit Union Act, and NCUA Rules and Regulations, as well as state laws, may be used for further reference.

Adequately capitalized—A credit union is considered ''adequately capitalized'' when it meets the ''adequately capitalized'' definition in Part 702 of NCUA's Rules and Regulations. A multiple common bond credit union must be ''adequately capitalized'' in order to add new groups to its charter. The Office of Consumer Financial Protection and Access director, with input from the appropriate regional director or Office of National Examinations and Supervision Director, may determine that a less than ''adequately capitalized'' credit union can qualify for an expansion if it is making reasonable progress toward becoming ''adequately capitalized,'' and the addition of the group would not adversely affect the credit union's capitalization level.

Affinity—A relationship upon which a community charter is based. Acceptable affinities include living, working, worshiping, or attending school in a community.

Appeal—The right of a credit union or charter applicant to request a formal review of the Office of Consumer Financial Protection and Access, regional director's or Office of National Examinations and Supervision Director's adverse decision by the National Credit Union Administration Board.

Associational common bond—A common bond comprised of members and employees of a recognized association. It includes individuals (natural persons) and/or groups (non-natural persons) whose members participate in activities developing common loyalties, mutual benefits, and mutual interests.

Business plan—Plan submitted by a charter applicant or existing federal credit union addressing the economic advisability of a proposed charter or field of membership addition.

Charter—The document which authorizes a group to operate as a credit union and defines the fundamental limits of its operating authority, generally including the persons the credit union is permitted to accept for membership. Charters are issued by the National Credit Union Administration for federal credit unions and by the designated state chartering authority for credit unions organized under the laws of that state.

Common bond—The characteristic or combination of characteristics which distinguishes a particular group of persons from the general public. There are two common bonds which can serve as a basis for a group forming a federal credit union or being included in an existing federal credit union's field of membership: Occupational—employment by the same company, related companies or in a trade, industry, or profession (TIP); and associational—membership in the same association.

Community credit union—A credit union whose field of membership consists of persons who live, work, worship, or attend school in the same well-defined local community, neighborhood, or rural district.

Credit union—A member-owned, not-for-profit cooperative financial institution formed to permit those in the field of membership specified in the charter to save, borrow, and obtain related financial services.

Economic advisability—An overall evaluation of the credit union's or charter applicant's ability to operate successfully.

Emergency merger—Pursuant to Section 205(h) of the Federal Credit Union Act, authority of NCUA to merge two credit unions without regard to common bond policy.

Exclusionary clause—A limitation, written in a credit union's charter, which precludes the credit union from serving a portion of a group which otherwise could be included in its field of membership.

Federal share insurance—Insurance coverage provided by the National Credit Union Share Insurance Fund and administered by the National Credit Union Administration. Coverage is provided for qualified accounts in all federal credit unions and participating state credit unions.

Field of membership—The persons (including organizations and other legal entities) a credit union is permitted to accept for membership.

Household—Persons living in the same residence maintaining a single economic unit.

Housekeeping Amendment—A field of membership amendment to delete groups, change group names, change group locations, remove exclusionary clauses, and to add other persons eligible for credit union membership by virtue of their close relationship to a common bond group or the community for community charters.

Immediate family member—A spouse, child, sibling, parent, grandparent, or grandchild. This includes stepparents, stepchildren, stepsiblings, and adoptive relationships.

In danger of insolvency—In making the determination that a particular credit union is in danger of insolvency, NCUA will establish that the credit union falls into one or more of the following categories:

1. The credit union's net worth is declining at a rate that will render it insolvent within 24 months. In projecting future net worth, NCUA may rely on data in addition to Call Report data. The trend must be supported by at least 12 months of historic data.

2. The credit union's net worth is declining at a rate that will take it under two percent (2%) net worth within 12 months. In projecting future net worth, NCUA may rely on data in addition to Call Report data. The trend must be supported by at least 12 months of historic data.

3. The credit union's net worth, as self-reported on its Call Report, is significantly undercapitalized, and NCUA determines that there is no reasonable prospect of the credit union becoming adequately capitalized in the succeeding 36 months. In making its determination on the prospect of achieving adequate capitalization, NCUA will assume that, if adverse economic conditions are affecting the value of the credit union's assets and liabilities, including property values and loan delinquencies related to unemployment, these adverse conditions will not further deteriorate.

Letter of Understanding and Agreement—Agreement between NCUA and federal credit union officials not to engage in certain activities and/or to establish reasonable operational goals. These are normally entered into with new charter applicants for a limited time.

Mentor—An individual who provides guidance and assistance to newly chartered, small, or low-income credit unions. All new federal credit unions are encouraged to establish a mentor relationship with a trained, experienced credit union individual or an existing credit union.

Metropolitan Statistical Area—The Office of Management and Budget defines a metropolitan statistical area as an urbanized area that has at least one urbanized area in excess of 50,000 and ''comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.''

Merger—Absorption by one credit union of all of the assets, liabilities and equity of another credit union. Mergers must be approved by the National Credit Union Administration and by the appropriate state regulator whenever a state credit union is involved.

Multiple common bond credit union—A credit union whose field of membership consists of more than one group, each of which has a common bond of occupation or association.

Occupational common bond—Employment by the same entity or related entities or a Trade, Industry, or Profession.

Once a member, always a member—A provision of the Federal Credit Union Act which permits an individual to remain a member of the credit union until he or she chooses to withdraw or is expelled from the membership of the credit union. Under this provision, leaving a group that is named in the credit union's charter does not terminate an individual's membership in the credit union.

Organizations of such persons—An organization or organizations composed exclusively of persons who are within the field of membership of the credit union.

Overlap—The situation which results when a group is eligible for membership in more than one credit union.

Primary potential members—Members or employees who belong to an associational or occupational group.

Purchase and assumption—Purchase of all or part of the assets of and assumption of all or part of the liabilities of one credit union by another credit union. The purchased and assumed credit union must first be placed into involuntary liquidation.

Service area—The area that can reasonably be served by the service facilities accessible to the groups within the field of membership.

Service facility—A place where shares are accepted for members' accounts, loan applications are accepted or loans are disbursed. This definition includes a credit union owned branch, a mobile branch, an office operated on a regularly scheduled weekly basis, a credit union owned ATM, a video teller machine or a credit union owned electronic facility that meets, at a minimum, these requirements. A service facility also includes a shared branch or a shared branch network if either: (1) the credit union has an ownership interest in the service facility either directly or through a CUSO or similar organization; or (2) the service facility is local to the credit union and the credit union is an authorized participant in the service center. This definition does not include the credit union's Internet Web site. A service facility does not include an ATM or interest in a shared branch network for purposes of serving an underserved area.

Single associational common bond credit union—A credit union whose field of membership includes members and employees of a recognized association.

Single common bond credit union—A credit union whose field of membership consists of one group which has a common bond of occupation or association.

Single occupational common bond credit union—A credit union whose field of membership consists of employees of the same entity or related entities or part of a Trade, Industry, or Profession (TIP).

Spin-off—The transfer of a portion of the field of membership, assets, liabilities, shares, and capital of one credit union to a new or existing credit union.

Subscribers—For a federal credit union, at least seven individuals who sign the charter application and pledge at least one share.

Trade, Industry, or Profession (TIP)—A single occupational common bond credit union based on employment in a trade, industry, or profession including employment at any number of corporations or other legal entities that while not under common ownership—have a common bond by virtue of producing similar products, providing similar services, or participating in the same type of business.

Underserved community—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. The area must also be underserved based on other NCUA and federal banking agency data.

Unsafe or unsound practice—Any action, or lack of action, which would result in an abnormal risk or loss to the credit union, its members, or the National Credit Union Share Insurance Fund.

BILLING CODE 7535–01–P

APPENDIX 2

LETTER OF UNDERSTANDING AND AGREEMENT

To the Board of Directors and Other Officials
_____Federal Credit Union

Since the purposes of credit unions are to promote thrift and to make funds available for loans to credit union members for provident and productive purposes, and since newly chartered credit unions do not generally have sufficient reserves to cover large losses on loans or meet unduly large liquidity requirements, Federal insurance coverage of member accounts under the National Credit Union Share Insurance Fund will be granted to the above named credit union subject to the conditions listed in this Letter of Understanding and Agreement and in the Organization Certificate and Application and Agreements for Insurance of Accounts. These terms are listed below and are subject to acceptance by authorized credit union officials.

1. The credit union will refrain from soliciting or accepting brokered fund deposits from any source without the prior written approval of the Regional Director.

2. The credit union will refrain from the making of large loans, that is, loans in excess of 5 percent of unimpaired capital and surplus, to any one member or group of members without the prior written approval of the Regional Director.

3. The credit union will not establish or invest in a Credit Union Service Organization (CUSO) without the prior written approval of the Regional Director.

4. The credit union will not enter into any insurance programs whereby the credit union member finances the payment of insurance premiums through loans from the credit union.

5. Any special insurance plan/program, that is, insurance other than usual and normal surety bonding or casualty or liability or loan protection and life savings insurance coverage, which the credit union officials intend to undertake, will be submitted to the Regional Director of the National Credit Union Administration for written approval prior to the officials committing the credit union thereto.

6. The credit union will prepare and mail to the district examiner financial and statistical reports as required by the Federal Credit Union Act and Bylaws by the 20th of each month following that for which the report is prepared.

7. As the credit union's officials gain experience and the credit union achieves target levels of growth and profitability, the above terms and conditions may be renegotiated by the two parties.

We, the undersigned officials of the_____Federal Credit Union, as authorized by the board of directors, acknowledge receipt of and agree to the attached Letter of Understanding and Agreement dated_____.

This Letter of Understanding and Agreement has been voluntarily entered into with the National Credit Union Administration. We agree to comply with all terms and conditions expressed in this Letter of Understanding and Agreement.

Should the NCUA Board determine that these terms and conditions have not been complied with or that the board of directors or other officials have not conducted the affairs of the credit

union in a sound and prudent manner, the NCUA Board may terminate insurance coverage of the credit union. If actions by the officials, in violation of this Letter of Understanding and Agreement, cause the credit union to become insolvent, the officials assume such personal liability as may result from their actions.

The term of this Letter of Understanding and Agreement shall be for the period of at least 24 months from the date the credit union is insured. This Letter of Understanding and Agreement may, at the option of the Regional Director, be extended for an additional 24 months at the end of the initial term of this agreement.

Dated this_____of_____.
(day) (month) (year)

NATIONAL CREDIT UNION ADMINISTRATION BOARD
ON BEHALF OF THE NATIONAL CREDIT UNION SHARE INSURANCE FUND

_____
Office of Consumer Financial Protection and Access
Director

_____Federal Credit Union

By:

_____
Chief Executive Officer Date

_____
Chief Financial Officer Date

_____
Secretary Date

APPENDIX 3

NCUA OFFICES

OFFICE OF CONSUMER FINANCIAL PROTECTION AND ACCESS
1775 Duke Street
Alexandria, VA 22314-3428

Phone: 703-518-1150
Fax: 703-518-6672
EMAIL: dcamail@ncua.gov

Within the Office of Consumer Financial Protection and Access, the Division of Consumer Access and Division of Consumer Access – South share the responsibility for chartering and field-of-membership matters, low-income designations, charter conversions and bylaw amendments.

REGION 1 – ALBANY
9 Washington Square
Washington Avenue Extension
Albany, NY 12205

Phone: 518-862-7400
Fax: 518-862-7420
EMAIL: Region1@ncua.gov

Region 1 is responsible for all federally insured credit unions in Connecticut, Maine, Massachusetts, Michigan, New Hampshire, New York, Rhode Island, Vermont, and Wisconsin.

REGION 2 – CAPITAL
1900 Duke Street, Suite 300
Alexandria, VA 22314

Phone: 703-519-4600
Fax: 703-519-4620
EMAIL: Region2@ncua.gov

Region 2 is headquartered in Alexandria, Virginia, and encompasses the states of Delaware, Maryland, New Jersey, Ohio, Pennsylvania, Virginia and West Virginia, and the District of Columbia.

REGION 3 – ATLANTA
7000 Central Parkway, Suite 1600
Atlanta, GA 30328-4598

Phone: 678-443-3000
Fax: 678-443-3020
EMAIL: Region3@ncua.gov

States in Region 3 include Alabama, Arkansas, Florida, Georgia, Indiana, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee, as well as Puerto Rico and the U.S. Virgin Islands.

REGION 4 – AUSTIN
4807 Spicewood Springs Rd.
Suite 5200
Austin, TX 78759-8490

Phone: 512-342-5600
Fax: 512-342-5620
EMAIL: Region4@ncua.gov

Region 4, headquartered in Austin Texas, covers Colorado, Illinois, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, and Wyoming.

REGION 5 – TEMPE
1230 W. Washington Street
Suite 301
Tempe, AZ 85281

Phone: 602-302-6000
Fax: 602-302-6024
EMAIL: Region5@ncua.gov

Region 5 headquartered in Tempe, Arizona, covers Alaska, Arizona, California, Guam, Hawaii, Idaho, Nevada, Oregon, Utah, and Washington.

APPENDIX 4

NCUA FORMS

Form Number	Form Title
NCUA 4000	Conversion of State Charter to a Federal Charter – Federal Credit Union Investigation Report
NCUA 4001	Federal Credit Union Investigation Report
NCUA 4008	Organization Certificate
NCUA 4009	Approval of Organization Certificate and Certification of Insurance
NCUA 4012	Report of Official and Agreement to Serve
NCUA 4015	Application for Field of Membership Amendment (use for all multiple common bond expansions involving groups of 5,000 or more persons)
NCUA 4015-A	Application for Field of Membership Amendment (use for all multiple common bond expansions involving groups of 3,000 to 4,999 persons)
NCUA 4015-EZ	Application for Field of Membership Amendment (use for all single common bond expansions and multiple common bond expansions involving groups of less than 3,000 persons)
NCUA 4221	Notice of Meeting of Members to Convert from a Federal to State Chartered Credit Union
NCUA 4401	Application to Convert from a State to a Federal Credit Union
NCUA 4505	Affidavit - Proof of Results of Membership Vote - Proposed Conversion From Federal Credit Union to State Credit Union
NCUA 4506	Federal to State Conversion - Ballot for Conversion Proposal
NCUA 9500	Application and Agreements for Insurance of Accounts
NCUA 9501	Certification of Resolutions
NCUA 9600	Information to be Provided in Support of the Application of a State Chartered Credit Union for Insurance of Accounts

CONVERSION OF STATE CHARTER TO FEDERAL CHARTER

FEDERAL CREDIT UNION INVESTIGATION REPORT

This report must be filled in completely and submitted with the other completed forms listed in Chapter 4 and in the instructions for this form.

A. INFORMATION FOR CHARTER AND BYLAWS

1. Proposed Name:_____Federal Credit Union
Second Choice of Name:_____Federal Credit Union

2. Contact Person_____
Bus. Tel. No./Area Code:_____Res. Tel. No./Area Code_____

3. The credit union will maintain its office at:

_____	_____	_____	_____
(City)	(County)	(State)	(Zip)

4. Permanent mailing address of credit union:

_____
_____
_____

5. Define proposed field of membership (Attach a copy of current state charter field of membership):

_____
_____
_____
_____
_____
_____
_____
_____
_____
_____
_____

6. The board will have (an odd number 5 to 15)_____members; the credit committee (an odd number, 3 to 7)_____members; the supervisory committee (3 to 5)_____members. Each official must complete a Report of Official and Agreement to Serve (NCUA 4012) which is to be submitted with this investigation report.
1.

B. CHARACTER AND FITNESS OF SUBSCRIBERS

7. Type or print the list of the subscribers who have signed the organization certificate (7 not more than 10 persons). Names should be IDENTICAL to signatures on the Organization Certificate (NCUA 4008). Each subscriber listed below has subscribed to at least one share in accordance with Section 103 of the Federal Credit Union Act:

***Name*:**	***Address*:**	
***Occupation*:**		***Years of Membership*:**
***Name*:**	***Address*:**	
***Occupation*:**		***Years of Membership*:**
***Name*:**	***Address*:**	
***Occupation*:**		***Years of Membership*:**
***Name*:**	***Address*:**	
***Occupation*:**		***Years of Membership*:**
***Name*:**	***Address*:**	
***Occupation*:**		***Years of Membership*:**
***Name*:**	***Address*:**	
***Occupation*:**		***Years of Membership*:**
***Name*:**	***Address*:**	
***Occupation*:**		***Years of Membership*:**
***Name*:**	***Address*:**	
***Occupation*:**		***Years of Membership*:**
***Name*:**	***Address*:**	
***Occupation*:**		***Years of Membership*:**
***Name*:**	***Address*:**	
***Occupation*:**		***Years of Membership*:**

ANY ADDITIONAL COMMENTS OR INFORMATION THAT IS DEEMED PERTINENT OR HELPFUL IN GIVING CONSIDERATION TO THIS APPLICATION SHOULD BE INCLUDED AS AN ATTACHMENT.

The undersigned certifies that to the best of his/her knowledge and belief the above information is true and correct.

I do (do not) recommend that a charter be granted to this group.
Signature_____, Organizer
Organizer's Address: _____
_____
_____

FORM 4000 INSTRUCTIONS

A. INFORMATION FOR CHARTERS AND BYLAWS

The subscriber should select a name for the proposed credit union. It is the responsibility of the federal credit union organizers to ensure that the proposed federal credit union name does not constitute an infringement on the name of any corporation in its trade area. The last three words in the name must be "Federal Credit Union." Since the name selected should not duplicate exactly the name of an existing credit union, item 1 provides space for a second choice.

The territory of operations of a Federal credit union is described in the field of membership, item 5. The principal office of the credit union will usually be maintained at a location described in the field of membership.

The proposed field of membership should be defined so clearly that it leaves no room for any doubt as to whom the credit union is to serve or the area which it is to operate. Corporations and other organizations referred to in the definition of the field of membership should be designated by the exact names rather than by some local or popular contraction of these names. Any segment of a larger organization should be identified with the parent. The field of membership for each type of common bond and samples are discussed in detail in Chapter 2 of the "*Chartering and Field of Membership Manual*."

With the guidance of the organizer, the subscribers to the Organization Certificate decide on the number of directors and credit committee members. The board and credit committee must be composed of an odd number of members. The supervisory committee is appointed by the board of directors.

B. CHARACTER AND FITNESS OF SUBSCRIBERS

The names and address of the subscribers should be recorded legibly and completely in item 7 of this report. It is from this information that the National Credit Union Administration prepares Section 3 of the charter. The names of the subscribers must be IDENTICAL to their signatures on the Organization Certificate.

C. SUBMITTAL OF CHARTER APPLICATION

In addition to this Investigation Report, the following should be submitted to the Director of NCUA's Office of Consumer Financial Protection and Access:

1. Application to Convert, NCUA 4401 – one original;

2. Written evidence regarding whether the state regulator is in agreement with the conversion proposal;

3. Application and Agreements for Insurance of Accounts, NCUA 9500 - one original;

4. Certificate of Resolution, NCUA 9501 - one original;

5. Organization Certificate, NCUA 4008 - one notarized original. At least seven, *but no more than ten persons*, must sign the organization certificate. The person administering the oath must not be one of the subscribers. The oath on the organization certificate must be executed and show the notary's seal and date the commission expires as required by State law;

6. Report of Official and Agreement to Serve, NCUA 4012 – one original for each board member, credit committee member, and supervisory committee member;

7. Most current financial report and delinquent loan schedule; and

8. Business Plan - refer to Chapter 1 of the *Chartering and Field of Membership Manual* for a discussion of the components of an acceptable business plan.

~~1.~~

FEDERAL CREDIT UNION INVESTIGATION REPORT

This form must be filled in completely and submitted with the other completed forms listed in the instructions to this form.

A. INFORMATION FOR CHARTER AND BYLAWS

1. Proposed name:_____Federal Credit Union
   Second choice:_____Federal Credit Union

2. Contact Person: _____
   Business Tel.: _____
   Residence Tel.: _____
   Address: _____
   _____
   _____

3. The credit union will maintain its offices at:

   _____
   (City, State, County, Zip Code)

3a. Proposed permanent mailing address of credit union:

   _____
   _____
   _____

4. Define proposed field of membership: _____
_____
_____
_____
_____
_____
_____
_____
_____

5. The board will have (an odd number, 5 to 15)_____members; the credit committee will have (an odd number, 3 to 7)_____members; the supervisory committee will have (3 to 5)_____members. Each official must complete a Report of Official and Agreement to Serve (NCUA 4012) which is to be submitted with this investigation report.

B. ECONOMIC ADVISABILITY OF ORGANIZING PROPOSED CREDIT UNION

(Attach a separate sheet if space available is not adequate.)

GENERAL INFORMATION

1. **Potential membership: _____**

   NOTE: Number of employees for occupational, active members for associational (or families for religious groups), or population per most recent census for community-type fields of membership.

2. **Potential interest (survey results).**

   NOTE: Sample must consist of a minimum of 250 potential members. Copy of survey form(s) utilized should be attached.

   Number of people surveyed: _____
   Number of people responding to survey: _____
   Number of people pledging an initial deposit: _____
   Total dollars pledged: $_____
   Number pledging systematic savings: __ Total dollars pledged (per month): $_____

3. **Number of persons attending the charter-organization meeting: _____**

4. **Attach a business plan containing, at a minimum, the following elements:**

   - **mission statement;**
   - **analysis of market conditions, including if applicable, geographic, demographic, employment, income, housing, and other economic data;**
   - **evidence of member support;**
   - **goals for shares, loans, and for number of members;**
   - **financial services needed/desired;**
   - **financial services to be provided to members of all segments within the field of membership;**
   - **how/when services are to be implemented;**
   - **organizational/management plan addressing qualification and planned training of officials/employees;**
   -

- **continuity plan for directors, committee members, and management staff;**
- **operating facilities, to include office space/equipment and supplies, safeguarding of assets, insurance coverage, etc.;**
- **type of record keeping and data processing system;**
- **detailed semiannual pro forma financial statements (balance sheet, income and expense projections) for 1st and 2nd year, including assumptions - e.g., loan and dividend rates;**
- **plans for operating independently;**
- **written policies (shares, lending, investments, funds management, capital accumulation, dividends, collections, etc.);**
- **source of funds to pay expenses during initial months of operation, including any subsidies, assistance, etc., and terms or conditions of such resources; and**
- **evidence of sponsor commitment (or other source of support) if subsidies are critical to success of the federal credit union. Evidence may be in the form of letters, contracts, financial statements from the sponsor, and any other such document on which the proposed federal credit union can substantiate its projections.**

5. What potential difficulties do you detect in the elected officials carrying out their management responsibilities or in the FCU achieving its stated objectives?

_____
_____
_____
_____

6. What provisions have been made to overcome potential difficulties?

_____
_____
_____
_____

Dates of planned contacts by organizer to determine progress and to assist the group:

First Contact Date: _____
Second Contact Date: _____
Third Contact Date: _____

SPECIFIC INFORMATION - OCCUPATIONAL (same company) CHARTER APPLICANTS

1. How long has the sponsor company been in existence? _____

2. What was the highest number of employees during the past three years? _____Lowest number during the past three years?_____If a large variance,

please explain. _____

3. Are there any contemplated changes in the corporate structure of the company? ___If yes, explain. _____

4. Have there been any significant changes in the corporate structure in the past three years?_____If yes, please explain. _____

5. Are there any negotiations now in progress between management and labor that could lead to work stoppages?_____If yes, please explain. _____

6. If the credit union cannot operate on the employer's property, explain how the credit union will be able to transact business effectively with the members.

_____

7. If the employees to be served by the credit union work in more than one location or city, identify each location with the corresponding number of employees working at each. _____

_____

_____

_____

_____

8. Are there other employees of the company who are not being included in the proposed field of membership?_____If so, give the number and location of the other employees and explain why they are not included in the proposed credit union's field of membership. _____

_____

_____

_____

_____

SPECIFIC INFORMATION - OCCUPATIONAL (trade, industry or profession) CHARTER APPLICANTS

1. Explain how the credit union will be able to transact business effectively with the members. _____

_____

_____

_____

_____

_____

_____

_____

_____

SPECIFIC INFORMATION - ASSOCIATIONAL CHARTER APPLICANTS

1. State the purpose and goals of the organization sponsoring this charter.

_____
_____
_____
_____
_____
_____
_____
_____

2. List the types of activities and their frequency, which the organization sponsors that provide contact among the members and from which common loyalties, mutual benefits, and mutual interests are developed. _____

_____
_____
_____
_____
_____
_____
_____
_____

3. In what year was the organization established?_____Is it incorporated? _____
Where is the headquarters located? _____

4. Give statistics as to trends in membership during the last five years. _____

_____
_____
_____
_____

5. What is the frequency of membership meetings? _____
Average attendance:_____Dues required: $_____

6. State the geographic territory where members reside. _____

_____
_____
_____
_____

7. Submit a copy of the current bylaws of the association, the constitution, articles of incorporation, or equivalent documentation and recent financial statements, i.e. balance sheet, and income and expense statement, with this application.

8. If the bylaws, constitution, articles of incorporation, or equivalent documentation provide for more than one type of membership and if all classes of membership are to be included in the credit union's field of membership, provide justification for the inclusion of other than "regular" members.

_____

_____

_____

_____

_____

SPECIFIC INFORMATION – MULTIPLE COMMON BOND CHARTER APPLICANTS

1. Explain how the credit union will be able to transact business effectively with the members. _____

_____

_____

_____

_____

_____

_____

_____

SPECIFIC INFORMATION - COMMUNITY CHARTER APPLICANTS

1. Community charters must be based on a well-defined local community, neighborhood, or rural district where individuals have common interests and/or interact. Please refer to Chapter 2, Section V of the *"Chartering and Field of Membership Manual"* when answering this question.

2. Provide a map which clearly outlines the credit union's proposed community boundaries and identify proposed service facilities.
1.

C. CHARACTER AND FITNESS OF SUBSCRIBERS

1. List of subscribers who have signed the Organization Certificate (7 not more than 10 persons). Names should be IDENTICAL to signature on the Organization Certificate (NCUA 4008). Each subscriber listed below has subscribed to at least one share in accordance with Section 103 of the Federal Credit Union Act:

Name: _____
Address: _____
_____
Occupation: _____
Years of Residence: _____

Name: _____
Address: _____
_____
Occupation: _____
Years of Residence: _____

Name: _____
Address: _____
_____
Occupation: _____
Years of Residence: _____

Name: _____
Address: _____
_____
Occupation: _____
Years of Residence: _____

Name: _____
Address: _____
_____
Occupation: _____
Years of Residence: _____

Name: _____
Address: _____
_____
Occupation: _____
Years of Residence: _____

Name: _____
Address: _____
_____
Occupation: _____
Years of Residence: _____

Name: _____
Address: _____
_____
Occupation: _____
Years of Residence: _____

Name: _____
Address: _____
_____
Occupation: _____
Years of Residence: _____

Name: _____
Address: _____
_____
Occupation: _____
Years of Residence: _____

2. Are all of the subscribers within the field of membership?_____Do they

appear to be representative of the group described in the definition of the field of membership?_____If not, explain. _____
_____
_____
_____
_____

3. Does your investigation indicate that the subscribers are persons of good character?_____If not, explain. _____
_____
_____
_____
_____

4. From your investigation, is it your judgment that the directors and committee members are persons of good character, and that they have the ability and determination to operate a credit union satisfactorily?_____If not, explain. _____

_____
_____
_____
_____

5. Does it appear that there are any factions within the group which may render smooth and efficient credit union operations difficult?_____If so, explain. _____

_____
_____
_____
_____

6. Is there any indication that the proposed credit union would be used for selfish gain by any person or group of persons within the group to be served?_____

_____
_____
_____
_____

7. Is an application for a State Charter now pending? _____

8. Has the group ever had a credit union?_____If so, when did it liquidate or merge? _____

ANY ADDITIONAL COMMENTS OR INFORMATION THAT IS DEEMED PERTINENT OR HELPFUL IN GIVING CONSIDERATION TO THIS APPLICATION SHOULD BE INCLUDED AS AN ATTACHMENT.

The undersigned certifies that to the best of their knowledge and belief the above information is true and correct.

I do (do not) recommend that a charter be granted to this group.

Signature:_____, Organizer
Organizer's Address: _____
_____
_____

Telephone No.:_____Date: _____

FORM 4001 INSTRUCTIONS

A. INFORMATION FOR CHARTER AND BYLAWS

The subscriber should select a name for the proposed credit union. It is the responsibility of the federal credit union organizers to ensure that the proposed federal credit union name does not constitute an infringement on the name of any corporation in its trade area. The last three words in the name must be "Federal Credit Union." Since the name selected should not duplicate exactly the name of an existing credit union, Item 1 provides space for a second choice.

The territory of operations of a Federal Credit Union is described in the field of membership, item 4. The principal office of the credit union will usually be maintained at a location described in the field of membership.

The proposed field of membership should be defined so clearly that it leaves no room for any doubt as to whom the credit union is to serve or the area which it is to operate. Corporations and other organizations referred to in the definition of the field of membership should be designated by the exact names rather than by some local or popular contraction of these names. The field of membership for each type of common bond and samples are discussed in detail in Chapter 2 of the "*Chartering and Field of Membership Manual*."

With the guidance of the organizer, the subscribers to the Organization Certificate decide on the number of directors and credit committee members. The board and credit committee must be composed of an odd number of members. The supervisory committee is appointed by the board of directors.

B. ECONOMIC ADVISABILITY OF ORGANIZING PROPOSED CREDIT UNION

This section of the report contains information on the required business plan elements and other information needed to make a decision on the economic advisability of chartering the proposed credit union.

C. CHARACTER AND FITNESS OF SUBSCRIBERS

The names and addresses of the subscribers should be recorded legibly and completely in item C. 1. of this report. It is from this information that the National Credit Union Administration prepares Section 3 of the charter. The names of the subscribers must be IDENTICAL to their signatures on the Organization Certificate.

D. SUBMITTAL OF CHARTER APPLICATION

In addition to this Investigation Report, the following should be submitted to the Director of NCUA's Office of Consumer Financial Protection and Access:

1. Organization Certificate, NCUA 4008 - one notarized original. At least seven, *but no more than ten persons*, must sign the organization certificate. The person administering the oath must not be one of the subscribers. The oath on the organization certificate must be executed and show the notary's seal and date the commission expires as required by State law;

2. Report of Official and Agreement to Serve, NCUA 4012 – one original for each board member, credit committee member, and supervisory committee member;

3. Business Plan - refer to Part B, question 4 of this form and Chapter 1 of the *Chartering and Field of Membership Manual* for a discussion of the components of an acceptable business plan;

4. Application and Agreements for Insurance of Accounts, NCUA 9500 - one original; and

5. Certification of Resolutions, NCUA 9501 - one original.

~~1.~~

NATIONAL CREDIT UNION ADMINISTRATION

_____

FEDERAL CREDIT UNION

(A corporation chartered under the laws of the United States)

CHARTER NO. _____

NCUA 4008
PAGE 1

ORGANIZATION CERTIFICATE

_____FEDERAL CREDIT UNION

Charter No. _____

TO NATIONAL CREDIT UNION ADMINISTRATION:

We, the undersigned, do hereby associate ourselves as a Federal Credit Union for the purposes indicated in and in accordance with the provisions of the Federal Credit Union Act, (12 U.S.C. 1751 et seq.). We hereby request approval of this organization certificate; we hereby apply for insurance of member accounts; we agree to comply with the requirements of said Act, with the terms of this organization certificate and with all laws, rules, and regulations now or hereafter applicable to Federal Credit Unions.

(1) The name of this credit union shall be_____Federal Credit Union.

(2) This credit union will maintain its office and will operate in the territory described in the field of membership.

(1)

(3) The names and addresses of the subscribers to this certificate and the number of shares subscribed by each are as follows:

NAME	ADDRESS	SHARES

(4) The par value of the shares of this credit union will be stated in the bylaws.

(5) The field of membership shall be limited to those having the following common bond:_____

_____

_____

_____

_____

_____

_____

(6) The term of this credit union's existence shall be perpetual: Provided, however, that upon the finding that this credit union is bankrupt or insolvent or has violated any provision of this organization certificate, of the bylaws, of the Federal Credit Union Act including any amendments thereto or thereof, or of any regulations issued thereunder, this organization certificate may be suspended or revoked under the provisions of Section 120(b) of the Federal Credit Union Act.

(7) This certificate is made to enable the undersigned to avail themselves of the advantages of said Act.

(8) The management of this credit union, the conduct of its affairs, and the powers, duties, and privileges of its directors, officers, committees and membership shall be set forth in the approved bylaws and any approved amendments thereto or thereof.

IN WITNESS THEREOF we[1] have here unto subscribed our names this

_____ _____ _____
(day) (month) (year)

_____ _____

_____ _____

_____ _____

_____ _____

_____ _____

Subscribed before me, an officer competent to

administer oaths, at _____
CITY/STATE

this _____ _____ _____
(day) (month) (year)

Signed _____

Title_____
(Notary public or other competent officer)

1 At least seven signers none of whom should administer the oath.

APPROVAL OF ORGANIZATION CERTIFICATE
AND
CERTIFICATION OF INSURANCE

Pursuant to the provisions of the Federal Credit Union Act (12 U.S.C. 1751 et seq.), the foregoing organization certificate and insurance of member accounts of _____Federal Credit Union are approved this

_____ _____ _____
(day) (month) (year)

_____
CHAIRPERSON
NATIONAL CREDIT UNION ADMINISTRATION

REPORT OF OFFICIAL AND AGREEMENT TO SERVE

TO: NATIONAL CREDIT UNION ADMINISTRATION

Proposed_____Federal Credit Union

Title of Prospective Position:_____

Name:_____
Mr./Ms./Mrs. Last, First, Middle

Maiden Name (If Different From Above): _____

Address (Res.): _____
Street, City, State, Zip Code

Telephone Number: (___)_____

Place of Birth:_Date of Birth:_____City/State/Country

Employer: _____

Social Security Number (Optional): _____

Type of Business: _____

Number of years with present employer:_____Your position title: _____

Education background (enter highest grade completed)
High School:_____College:_____Major Field of Study: _____

Other training or experience:

_____
_____
_____
_____

Are you willing to accept the position of trust for which you have been selected and to remain in office until a qualified successor is found?_____YES_____NO

Have you been informed as to the general duties and responsibilities of an official of the proposed Federal Credit Union and are you willing to devote the time

necessary to familiarize yourself with and to perform your duties?

Estimated number of hours per month you will be able to volunteer:_____

IF THE ANSWER IS YES TO THE FOLLOWING QUESTION, PLEASE PROVIDE INFORMATION AS INSTRUCTED ON THE FOLLOWING PAGE:

Have you ever been convicted of any CRIMINAL OFFENSE involving dishonesty or a breach of trust?____YES_____NO

To facilitate the process of obtaining a credit and background check, please provide the following:

1. **Any other names which you have used:_____and,**
2. **Previous address, (if your address changed over the past 2 years):**

   _____

   _____

   _____

3. **Name of Spouse: _____**

READ THE FOLLOWING CAREFULLY BEFORE SIGNING

CERTIFICATION AND AGREEMENT TO SERVE

I certify that the information provided on this form is true and correct. Further, I, the undersigned, having been duly designated to occupy the position(s) indicated above, do hereby agree to serve in the above-stated office(s) of this proposed credit union until the first annual meeting held in accordance with the Federal Credit Union Act and the bylaws of this credit union and until the election of my successor(s). I further pledge to carry out the duties and responsibilities commensurate with said office(s) as promulgated by the Federal Credit Union Act and the bylaws of this credit union. I have read the Privacy Act Notice that follows.

Date	Signature	Witness

PRIVACY ACT NOTICE

The Privacy Act of 1974 (Public Law 93-579) requires that you be advised as to the legal authority, purpose and uses of the information solicited by this form. Pursuant to Sections 104 and 205(d) of the Federal Credit Union Act, the information in this form is requested for the purpose of completing the investigation required for a new Federal credit union. The information in this form will be primarily used in considering the soundness of the management for the proposed Federal credit union. However, this form may be disclosed to any of the following sources: a congressional office in response to your inquiry to that office; an appropriate Federal, state or local authority in the investigation or enforcement of a statute or regulation; or employees of a Federal agency for audit purposes. Failure to complete this form or omission of any item of information, except for disclosure of your social security number, may result in a delay in the process for chartering the proposed Federal credit union. In accordance with Section 792.68 of NCUA's regulations, you are not required to furnish your social security number on this form. Your social security number, if voluntarily provided, will be used to more easily verify the information required by this form.
No penalty will result to you as a management official or to the chartering of the proposed Federal credit union if you do not provide your social security number.

Further information needed if answer to CRIMINAL OFFENSE question on the previous page was YES:

CRIMINAL OFFENSE:

Nature of offense: ____
_____
Date of occurrence:_____Date of conviction: _____
Sentence conferred: _____
(Attach a separate sheet if space provided is not adequate)

CRIMINAL OFFENSE GUIDELINES

The Federal Credit Union Act, Subchapter II, Section 205(d), requires that, except with the written consent of the NCUA Board, no person shall serve as director, officer, committee member, or employee of an insured credit union who has been convicted or who is hereafter convicted, of any criminal offense involving dishonesty or breach of trust. To assist the NCUA Board in making a determination of the fitness of a person who is selected to serve and who the organizer believes is qualified to serve as an official, the specific information above will need to be furnished.

If the NCUA Board believes that, in view of the facts presented and the date of the offense, they can give their consent to the appointment they will so advise that person in writing. If on the other hand, the NCUA Board believes after careful consideration that they cannot in good conscience give their written consent to the appointment they will contact the organizer and ask that another person be selected for the position. The person selected will have to complete a Report of Official and Agreement to Serve.

An indication of whether the bonding company would agree to provide coverage should be included if the person is to serve as treasurer. Bonding company agrees to provide coverage:____YES_____NO

AUTHORIZATION TO OBTAIN A CREDIT REPORT

The National Credit Union Administration (NCUA) may evaluate the competence, experience, character, and integrity of any individual who is to serve as an official, employee, or committee member of a federally insured credit union, in accordance with §1790a of the Federal Credit Union Act and Chapter 1, §V.B.4 of the NCUA Chartering and Field of Membership Manual.

NCUA may disapprove any individual whose employment it believes will not be in the best interest of the credit union or of the public. To assist in the evaluation process, NCUA may obtain and review an individual's credit report.

Your signature on this document authorizes NCUA to obtain a copy of your credit report.

_____

Last **First** **Middle**

Social Security Number: _____

Date of Birth: _____

_____

Signature **Date**

APPLICATION FOR FIELD OF MEMBERSHIP AMENDMENT
NCUA FORM 4015

USE FOR MULTIPLE COMMON BOND EXPANSION FOR GROUPS OF 5,000 OR MORE PERSONS

Attach a separate application for each group included in your request for expansion. The application must be complete or it will be returned unprocessed.

1. Name and address of credit union: _____ _____ _____ Telephone Number: _____ Charter Number: _____

2. Name and address of group: _____ _____ _____ Telephone Number: _____

If the group is an association:

☐ ***Include a statement indicating whether the association has been formed primarily for the purpose of expanding credit union membership. Such a group is not eligible for inclusion in a multiple common bond credit union unless it qualifies as a low-income association; and***

If the group is an association AND it is NOT one of the categories of pre-approved groups outlined in Chapter 2, Section III.A.1.b of the Chartering Manual:

☐ ***Include a copy of the association's Charter/Bylaws or other equivalent organizational documentation.***

3. Provide the proposed field of membership wording. Use the example wording found in NCUA's *Chartering and Field of Membership Manual,* Chapter 2, Section IV.A.2.

_____
_____
_____

4. How many primary potential members (excluding immediate family and household members) are in the group:

_____

5. (a) What is the distance between the group's location and your credit union's nearest service facility[1] to which the group has access (Reference Chapter 2, Section IV.A.1):

_____

_____

(b) What is the address of this service facility:

_____

_____

_____

(c) Describe the service area[2] primarily served by the above service facility:

_____

_____

_____

_____

6. Is the group in the field of membership of <u>any</u> other credit union? Yes____ No____

If yes, and the overlapped credit union is not a community credit union or a non-federally insured credit union, please address the following:

☐ Provide the name and location of the other servicing credit union:

_____

_____

_____

☐ Include a letter from the overlapped credit union indicating whether it concurs or objects to the overlap. If the overlapped credit union objects or fails to respond, document attempts to resolve the issue:

_____

_____

_____

_____

[1] **A service facility is defined as a place where shares are accepted for members' accounts, loan applications are accepted or loans are disbursed.**

[2] **A federal credit union's service area is the area that can reasonably be served by the service facility accessible to the groups within the field of membership. It will most often coincide with that geographic area primarily served by the service facility.**

☐ Explain how the expansion's beneficial effect in meeting the convenience and needs of the members of the group clearly outweighs any adverse effect on the overlapped credit union:

_____
_____
_____
_____

7. Attach a letter, or equivalent documentation, from the group requesting credit union service indicating:

☐ that the group wants to be added to the federal credit union's field of membership;
☐ whether the group presently has other credit union service available;
☐ the number of persons currently included within the group to be added and the group's location(s);
☐ the group's proximity to the credit union's nearest service facility; and
☐ why the formation of a separate credit union for the group is not practical. The criteria for demonstrating formation of a separate credit union is not practical are outlined in Chapter 2, Section IV.B.2 of NCUA's Chartering and Field of Membership Manual.

8. Other comments:

_____
_____
_____
_____
_____
_____

Name and title of credit union board-authorized representative (e.g., President/CEO):

_____	_____	_____
(Typed/Printed Name)	(Signature)	(Date)

APPLICATION FOR FIELD OF MEMBERSHIP AMENDMENT
NCUA FORM 4015-A

USE FOR MULTIPLE COMMON BOND EXPANSION FOR GROUPS OF 3,000 to 4,999 PERSONS

Attach a separate application for each group included in your request for expansion. The application must be complete or it will be returned unprocessed.

1. Name and address of credit union: Telephone Number: _____
   _____ Charter Number: _____
   _____
   _____

2. Name and address of group: Telephone Number: _____
   _____
   _____
   _____

If the group is an association:

☐ ***Include a statement indicating whether the association has been formed primarily for the purpose of expanding credit union membership. Such a group is not eligible for inclusion in a multiple common bond credit union unless it qualifies as a low-income association; and***

If the group is an association AND it is NOT one of the categories of pre-approved groups outlined in Chapter 2, Section III.A.1.b of the Chartering Manual:

☐ ***Include a copy of the association's Charter/Bylaws or other equivalent organizational documentation.***

3. Provide the proposed field of membership wording. Use the example wording found in NCUA's *Chartering and Field of Membership Manual*, Chapter 2, Section IV.A.2.

   _____
   _____
   _____

4. How many primary potential members (excluding immediate family and household members) are in the group:

_____

5. (a) What is the distance between the group's location and your credit union's nearest service facility1 to which the group has access (Reference Chapter 2, Section IV.A.1):

(b) What is the address of this service facility:

_____
_____
_____

(c) Describe the service area[2] primarily served by the above service facility:

_____
_____
_____
_____

6. Attach a letter, or equivalent documentation, from the group requesting credit union service indicating:

- ☐ that the group wants to be added to the federal credit union's field of membership;
- ☐ the number of persons currently included within the group to be added and the group's location(s);
- ☐ how the group is within reasonable proximity to the credit union; and the
- ☐ formation of a separate credit union for the group is not practical.

Include a statement indicating the formation of a separate credit union is not practical because the group lacks available subsidies, interest among the group's members, and sufficient resources. No additional information or documentation is necessary.

---

[1] **A service facility is defined as a place where shares are accepted for members' accounts, loan applications are accepted or loans are disbursed.**

[2] **A federal credit union's service area is the area that can reasonably be served by the service facility accessible to the groups within the field of membership. It will most often coincide with that geographic area primarily served by the service facility.**

7. Other comments:

_____
_____
_____
_____
_____
_____

Name and title of credit union board-authorized representative (e.g., President/CEO):

_____	_____	_____
(Typed/Printed Name)	(Signature)	(Date)

APPLICATION FOR FIELD OF MEMBERSHIP AMENDMENT
NCUA FORM 4015-EZ

USE FOR MULTIPLE COMMON BOND EXPANSIONS OF LESS THAN 3,000 PERSONS AND ALL SINGLE COMMON BOND EXPANSIONS

Attach a separate application for each group included in your request for expansion. The application must be complete or it will be returned unprocessed.

1. Name and address of credit union: _____ _____ _____ Telephone Number: _____ Charter Number: _____

2. Name and address of group: _____ _____ _____ Telephone Number: _____

If the group is an association:

☐ ***Include a statement indicating whether the association has been formed primarily for the purpose of expanding credit union membership. Such a group is not eligible for inclusion in a multiple common bond credit union unless it qualifies as a low-income association; and***

If the group is an association AND it is NOT one of the categories of pre-approved groups outlined in Chapter 2, Section III.A.1.b of the Chartering Manual:

☐ ***Include a copy of the association's Charter/Bylaws or other equivalent organizational documentation.***

3. Provide the proposed field of membership wording:_____ _____ _____

4. **Multiple Common Bond Expansions Only:** Attach a letter, or equivalent documentation, from the group requesting credit union service indicating:

☐ that the group wants to be added to the federal credit union's field of membership;

☐ the number of persons to be added and the group's location(s); and

☐ the group's distance to the credit union's nearest service facility.

5. **Single Common Bond Expansions Only:** How the group shares the occupational or associational common bond_____

6. How many primary potential members (excluding immediate family and household members) are in the group: _____

Name and title of credit union board-authorized representative (e.g., President/CEO):

_____	_____	_____
(Typed/Printed Name and Title)	(Signature)	(Date)

NOTICE OF MEETING OF MEMBERS TO CONVERT FROM A FEDERAL TO A STATE CHARTERED CREDIT UNION

_____FEDERAL CREDIT UNION

_____ _____
(City) (State)

THIS PROPOSITION WILL BE DECIDED BY A MAJORITY OF THE MEMBERS WHO VOTE.

Notice is hereby given that a meeting of the members of _____ Federal Credit Union has been called and will be held at_____ _____on_____, at_____o'clock, .M. for the purpose of considering and voting upon the following resolution:

> **"RESOLVED, That the_____Federal Credit Union be converted to a credit union chartered under the laws of the State of _____and that its operation under Federal charter be discontinued.**
>
> **RESOLVED FURTHER, That the board of directors and the officers of this credit union and are hereby authorized and directed to do all things necessary to effect and to complete the conversion of this credit union from a Federal to State-chartered credit union."**

The board of directors of this credit union has given careful consideration to the advantages and the disadvantages of the proposed conversion and believes it to be in the best interest of the members for the following reasons:

The proposed conversion would result in the following disadvantages or adverse changes in services and benefits to the members of the credit union:

The proposed conversion would result in the following costs of conversion (i.e. changing the credit unions name, examination and operating fees, attorney and consulting fees, tax liability, etc.):

The board of directors recommends that the members approve the proposal to convert to a State charter.

The members' accounts will ☐ will not ☐ continue to be insured by the National Credit Union Share Insurance Fund.

Attached is your ballot. You are urged to bring your ballot to the meeting and to cast your vote after hearing the discussion of the proposal. If you cannot attend the meeting, you are urged to mark your vote, date and sign your ballot, and return it to the following address by no later than the date and the time announced for the meeting of the members:

BY ORDER OF THE BOARD OF DIRECTORS

_____
TITLE: _____
(CHAIRPERSON)

_____
TITLE: _____
(BOARD SECRETARY)

Issued _____(Date)

APPLICATION TO CONVERT FROM A STATE TO A FEDERAL CREDIT UNION

The_____Credit Union of_____(city),_____(State), incorporated under the laws of the State of_____on_____by decision of its board of directors, hereby makes application to the National Credit Union Administration to convert to a Federal credit union.

1. **Field of membership. Provide a copy of the credit union's charter, articles of incorporation or bylaws, as amended to date.**

   _____
   _____
   _____

2. **Is proposed Federal charter to cover same field of membership? Yes ☐ No ☐ If answer is "No," explain fully: _____**

   _____
   _____
   _____

3. **Standard financial and statistical reports as of_____or comparable forms of reports, certified correct by the treasurer and verified by the affidavit of the president or vice-president, are attached.**

4. **A schedule of delinquent loans classified 2 to 6 months, 6 to 12 months, and 12 months and over delinquent is attached.**

5. **The following policies on loans to members are currently in effect in this credit union:**

   a. Interest rates on loans: _____

   b. Charges incident to making loans which are passed on to borrowers: _____

   c. Maturity limits: _____

   d. Unsecured loan limit: _____

   e. Secured loan limit: _____

   f. Types of security accepted: _____

   g. Requirements of amortization (Repayment requirements): _____

6. **Attached is a list of unsecured loans in excess of the amounts stipulated in the Act. (For each loan show account number, original amount, terms, and unpaid balance.)**

1.

7. **Attached is a list of loans with maturities in excess of periods stipulated in the Act and the NCUA Rules and Regulations. (For each loan show account number, original amount, terms, unpaid balance, and security.)**

8. **Types of accounts which members are required or are permitted to maintain:**
   Share ☐ Deposit ☐ Other ☐ (describe): _____
   _____
   _____

9. **Describe any real estate owned by credit union, including a list of its current market value: _____**
   _____
   _____

10. **Describe and list any investments which are outside of the investment powers of Federal credit unions (Refer to Section 107(7), Federal Credit Union Act):_____**
    _____
    _____

11. **Names and locations of any depository institutions in which the credit union deposits its funds but which are beyond the purview of deposit powers authorized by Section 107(8) of the Federal Credit Union Act: _____**
    _____
    _____

12. **Describe any services rendered to or on behalf of members or of the public, other than accepting and maintaining accounts of members and making loans to members: _____**
    _____
    _____

13. **Describe what you propose to do about any policies, procedures, assets or liabilities which do not comply with the Federal Credit Union Act: _____**
    _____
    _____

14. **Give specific reasons as to why you desire to convert to a Federal credit union:**
    _____
    _____

We hereby authorize the National Credit Union Administration to examine our books and our records.

We, the undersigned _____ Chief Executive Officer and _____ Chief Financial Officer of the _____ Credit _____ of _____ State of _____ certify: That we are the duly elected Chairperson and the Chief Financial Officer, respectfully, of said credit union; that the statements made in this Application to Convert from a State to a Federal Credit Union and the schedules attached hereto are true, complete, and correct to the best of our knowledge and belief and are made in good faith.

_____
TITLE: _____
(CHAIRPERSON)

_____
TITLE: _____
(CHIEF FINANCIAL OFFICER)

AFFIDAVIT
PROOF OF RESULTS OF MEMBERSHIP VOTE - PROPOSED CONVERSION FROM FEDERAL CREDIT UNION TO STATE CREDIT UNION

We, the undersigned_____chairperson and _____secretary of the _____ Federal Credit Union, hereby swear or affirm as follows:

1. **That the conversion proposal as set forth in the attached Notice of Meeting of the Members was fully explained to the members present at said meeting of members.**

2. **That on the date of the said meeting of members there were_____members of this credit union qualified to vote;_____members were present at said meeting; of those members present,_____members voted in favor of the conversion and_____members voted against the conversion; of those members not present at the meeting but who filed ballots,_____members voted in favor of the conversion and_____members voted against the conversion; and that, without duplication of the votes of any member, a total of_____members voted in favor of the conversion and_____members voted against the conversion.**

~~1.~~

3. That the action of the members of this credit union at said meeting is fully and completely recorded in the minutes of said meeting and all ballots cast by the members on the question of conversion, either at the meeting or by delivery to the credit union, are on file with the secretary of this credit union.

_____
TITLE: _____
(CHAIRPERSON)

_____
TITLE: _____
(BOARD SECRETARY)

_____
FEDERAL CREDIT UNION

Subscribed before me, an officer competent to administer oaths, at _____
_____, this _____
(day) (month) (year)

Signed _____

(SEAL)

Title _____

(Notary Public or other competent officer)

My Commission Expires_____, _____
(year)

FEDERAL TO STATE CONVERSION

BALLOT FOR CONVERSION PROPOSAL

I have read the notice concerning the meeting of the members of the _____Federal Credit Union called for_____to consider and to vote upon the following proposition:

> "RESOLVED, That the_____Federal Credit Union be converted to a credit union chartered under the laws of the State of_____and operation under Federal Charter Number_____be discontinued.
>
> RESOLVED FURTHER, That the board of directors and the officers of this credit union are hereby authorized and directed to do all things necessary to effect and to complete the conversion of this credit union from a Federal to State-chartered credit union."

I hereby cast my vote on the proposition: (Place an X in the square opposite the appropriate statement.)

I vote for the conversion ☐

I vote against the conversion ☐

_____ _____

(Account Number) (Signature of Member)

Date: _____

NCUA 4506

APPLICATION AND AGREEMENTS FOR INSURANCE OF ACCOUNTS

Date: _____

TO: The National Credit Union Administration Board (Board)

The proposed_____Federal Credit Union

_____
(Street Address)

_____
(City) (State) (Zip Code)

applies for insurance of its accounts as provided in Title II of the Federal Credit Union Act, and in consideration of the granting of insurance, hereby agrees:

1. **To pay the reasonable cost of such examinations as the Board may deem necessary in connection with determining the eligibility of the application for insurance.**

2. **To permit and pay the reasonable cost of such examinations as in the judgment of the Board may from time to time be necessary for the protection of the fund and other insured credit unions.**

3. **To permit the Board to have access to any information or report with respect to any examination made by or for any public regulatory authority and furnish such additional information with respect thereto as the Board may require.**

4. **To provide protection and indemnity against burglary, defalcation, and other similar insurable losses, of the type, in the form, and in an amount at least equal to that required by the laws under which the credit union is organized and operates.**

5. **To maintain such special reserves as the Board, by regulation or in special cases, may require for protecting the interest of members.**

6. **Not to issue or have outstanding any account or security the form of which, by regulation or in special cases, has not been approved by the Board.**

7. **To pay and maintain the capitalization deposit required by Title II of the Federal Credit Union Act.**

8. **To pay the premium charges for insurance imposed by Title II of the Federal Credit Union Act.**

~~1.~~

9. To comply with the requirements of Title II of the Federal Credit Union Act and of regulations prescribed by the Board pursuant thereto.

10. To permit the Board to have access to all records and information concerning the affairs of the credit union and to furnish such information pertinent thereto that the Board may require.

11. To comply with Title 18 of the United States Code and other pertinent Federal statutes as they may exist or may be hereafter promulgated or amended.

We, the undersigned, certify to the correctness of the information submitted. We, the undersigned, further certify that to the best of our knowledge and belief no proposed officer, committee member, or employee of this credit union has been convicted of any criminal offense involving dishonesty or a breach of trust, except as noted in attachments to this application. We further agree to notify the Board if any proposed or future officer commits a criminal offense.

Chairperson	**Chief Financial Officer**

Note: A willfully false certification is a criminal offense. U.S. Code, Title 18, Sec. 1001.

CERTIFICATION OF RESOLUTIONS

_____FEDERAL CREDIT UNION (PROPOSED)

We certify that we are the duly elected and qualified chief executive officer and recording officer of the above-named proposed Federal credit union and that at the charter-organization meeting, the board of directors passed the following resolution and recorded it in its minutes:

> **"Be it resolved that this credit union apply to the National Credit Union Administration Board for insurance of its accounts as provided in Title II of the Federal Credit Union Act.**
>
> **Be it further resolved that the president and treasurer be authorized and directed to execute the Application and Agreements for Insurance of Accounts as prescribed by the Board and any other papers and documents required in connection therewith; to pay all expenses and do all other things necessary or proper to secure and continue in force such insurance."**

_____

Chief Executive Officer

_____

Recording Officer, Board of Directors

INFORMATION TO BE PROVIDED IN SUPPORT OF THE APPLICATION OF A STATE CHARTERED CREDIT UNION FOR INSURANCE OF ACCOUNTS

Existing credit unions must complete the entire application. All other applicants do not have to complete questions 8, 11, 12, 13, 15, and 16.

_____Credit Union

1. **Show below the location of the credit union's books and records.**

   _____
   (Street Address)

   _____
   (City) (State) (Zip) (Telephone)

2. **Show the date (month, day, year) in which the credit union was chartered.**
   _____

3. **Attach a copy of the credit union's field of membership as shown in the charter, articles of incorporation and/or bylaws, as amended to date. Please identify it as the first schedule in the consecutive number sequence as discussed in the instructions. Schedule No. _____**

4. **Potential membership (total number of persons who could be served including present members). _____**

5. **Identify charter type (e.g., single common bond, multiple common bond, community). _____**

6. **Does the credit union operate under standard bylaws provided by the state supervisory authority? Yes ☐ No ☐ (Complete a.)**

   a. Attach a copy of the current official bylaws under which the credit union operated. Schedule No. _____

7. **Is the credit union under any administrative restraints by the State Supervisory Authority? Yes ☐ No ☐ (Complete a.)**

   a. Explain fully on an attached schedule. Schedule No. _____
   a.

8. **Attach a copy of the latest State supervisory authority examination. Copies of any correspondence from the accountant's report if made in lieu of a State supervisory authority examination. Copies of any correspondence from the State supervisory authority which accompanied the examination report should also be included.**

9. **Attach copies of the Balance Sheet and Statement of Income and Expense (or Financial and Statistical Report) for the month preceding the date of this application and for the same month of the preceding year.**
Schedule Nos. _____

10. **Reserves**

Show below the requirements of the State law and/or your bylaws for transfer of earnings to reserves (either monthly or at the end of each accounting period).

_____

11. **Delinquent Loans and Charged-off Loans**

a. Attach a copy of the delinquent loan list as of the month-end preceding the date of this application. See instructions pertaining to Item No. 11a.
Schedule No. _____

b. List below the requested information on delinquent loans for the latest four calendar quarters preceding the date of the application (March 31, June 30, September 30 and December 31). Also show total share and loan balances for all members for the same period.

(a) *Other Delinquent Categories	(b) Delinquent Categories	Date	Date	Date	Date
	2 to less than 6 mos.	$	$	$	$
	6 to less than 12 mos.	$	$	$	$
	12 mos. and over	$	$	$	$
	Totals	$	$	$	$
	Share Balances	$	$	$	$
	Loan Balances	$	$	$	$

***See instructions pertaining to Item No. 11 b.**

c. List below the requested information on loans charged off during the last three years and the current year. List total of all reserves both revocable and irrevocable for the same period as (balance at year-end and or current period).

	Year	Year	Year	Current Yr. To Date	*Totals Since Organization
Total Charged Off					
Total Recovered					
Net Charged Off					

***If this information is available.**

12. Does the credit union have any unrecorded or contingent liabilities, (including pending law suits or civil actions)? Yes ☐ No ☐ Complete a.

a. List on an attached schedule the complete description of such liabilities, including amounts, status of the items, and a description of the circumstances creating the liabilities or contingent liabilities. Schedule No. _____

13. Do any asset accounts other than loans to members, investments, and real estate have actual values less than the book values shown on the Balance Sheet?

List on a separate schedule a description of such assets, showing at least the following information; account number, description of item, book value and actual value. Schedule No. _____

14. List below or on an attached schedule, any investments or real estate as discussed in the instructions pertaining to Item No. 14. Schedule No._____. Attach a copy of the credit union's current investment policies. Investments/Loans to Credit Union Service Organization (CUSO) should be listed separately.

Description of Item	Current Market Value	Current Book Value
	$	$
	$	$
	$	$

15. Individual Share and Loan Ledgers:

a. Were the totals of the trial balance of the individual share and loan ledgers in agreement with the balances of the respective general ledger control accounts as of the month-end preceding the date of this application? _____

b. What are the differences as of the month and preceding the date of this application?

	Shares	Loans
Balances in General Ledger	$	$
Totals of the trial balance of the individual ledgers	$	$
Differences	$	$

16. Supervisory Committee:

a. What is the effective date of the last complete comprehensive annual audit performed by the supervisory committee?
Effective Date _____

(1) If the effective date of the annual audit is not within the last 18 months what is the supervisory committee's target date for completion of a comprehensive audit? Date _____

b. Show the effective date of the supervisory committee's last controlled verification of all members' accounts:
Effective Date _____

(1) If all members' accounts have not been verified under controlled conditions during the last two years, what is the supervisory committee's target date for completion of the verification program?
Date _____

c. If it is necessary to complete either 16a(1) or 16 b(1); please describe the directors' plans for seeing that the target dates are met. (Discuss below or on an attached schedule.) Schedule No. _____

a.

17. List below the credit union's surety bond coverage.

a. Name of carrier _____

b. Standard form number of the bond (i.e., 23, 576, 577, 578, 581, 562 CU-1, other) _____

c. Basic amount of coverage $_____

d. Bond premium paid to (date) _____

e. What is the amount of coverage required by State law or your bylaws? _____

f. Riders to the bond (list below) (i.e., faithful performance, forgery, misplacement, etc.)

_____

_____

18. Does the credit union render any services to or perform any functions on behalf of the members, non-members, organizations, or the public other than the usual savings and loan services for members? _____

Attach a schedule describing each activity in full. Schedule No. _____

19. Does the board of directors or management know of any adverse economic condition that is affecting or will affect the credit union's present or future operation or that of the sponsor organization? _____

Attach a schedule describing the condition and its possible effect on the credit union's future. Schedule No. _____

20. To the best of the credit union's knowledge and belief, has any director, officer, committee member, or employee been convicted of any criminal offense involving dishonesty or breach of trust? _____

a. Attach a statement describing the circumstances. Schedule No. _____

21. Lending policies and practices:

a. Complete the following schedule showing the present policies and practices on loans to members.

b. Complete the following schedule of largest loans with the attached instructions pertaining to Item No. 21.

a.

LENDING POLICIES AND PRACTICES

	Maximum Loan Amount	Maximum Period of Repayment	Required Amount of Down Payment (Equity)
1. Credit Union Policies and Practices			
a. Unsecured Loan Limits			
b. Secured Loan Limits			
(1) New Auto Collateral			
(2) Used Auto Collateral			
(3) Real Estate			
(a) First Mortgage			
(b) Second Mortgage			
(4) Comakers			
(5) Others (describe)			
c. Loans to Organizations			
d. Loans to Directors, Officers, or Committee Members			
2. State Credit Union Law; Bylaws			
a. Unsecured Loan Limits			
b. Secured Loan Limits			
c. Loans to Directors, Officers, or Committee Members			

List on an attached page, any additional policies, including the interest rates applied to members' loans and the method of assessing and accounting for interest income, i.e.: add-on, discount or unpaid balance.

SCHEDULE OF LARGEST LOANS

Complete this form as discussed in the instructions pertaining to Item 21b.

Account No.	Unpaid Bal.	Repayment Period (Mths)	Repayment Status		Appraised Collateral Value*	Collateral Description
			Current	Mths Delq.		

***If there is more than one type of collateral assign value to each type.**

CREDIT UNION SERVICE ORGANIZATION (CUSO)

1. Name of CUSO _____

2. Date of CUSO'S Organization _____
   (Date of obtaining charter from State)

3. Type of organization (check one):

   a. General Partnership ☐ c. Joint Ownership ☐

   b. Limited Partnership ☐ d. Corporation ☐

4. Owners of CUSO (list name, charter number if FCU, and percentage of ownership, if possible).

   a. _____ _____ _____
   Name Charter Number (If FCU) %

   b. _____ _____ _____
   Name Charter Number (If FCU) %

   (Continue on reverse side if additional space is required)

5. Capitalization (list investors and amount of investment in CUSO).

   a. _____ _____ _____
   Name Charter Number (If FCU) Amount

   b. _____ _____ _____
   Name Charter Number (If FCU) Amount

   (Continue on reverse side if additional space is required)

6. List all known services which are being offered by CUSO (be as specific as possible)._____
_____
_____

7. Comments (include all other pertinent information, if applicable, not previously discussed). _____

_____

_____

_____

8. Attach the latest Financial and Statistical Report of CUSO, if available.

1.

FORM 9600 INSTRUCTIONS

APPLICATION OF A STATE CHARTERED CREDIT UNION FOR INSURANCE OF ACCOUNTS

The application and all supporting documents should be prepared, photocopied, and submitted in accordance with these instructions. Additional schedules may be included if deemed appropriate.

Existing credit unions must complete the entire application. All other applicants do not have to complete questions 8, 11, 12, 13, 15, and 16.

Existing credit unions must submit current policies and financial statements as noted in the application. All other applicants must submit proposed policies and pro forma financial statements for the first and second year of operation.

When an item specifies that a schedule should be prepared and attached, please assign a schedule number in consecutive order, starting with number one. Please show the schedule number at the top right-hand corner of the schedule.

Some of the items are self-explanatory and require no special instructions. Other items, however, need special explanations, definitions, and instructions for completion. These are listed below, identified by the same item numbers as appear in Exhibit A.

Item No. 10: Reserves: The term "reserves" means that account, or accounts, which represents segregated portions of earnings as provided by the law, bylaws, and/or the credit union's management for the absorption of losses relating to loans to members.

Item No. 11a: The delinquent loan list requested should include, for each delinquent loan, the account number of the borrower, date of loan, original amount of loan, unpaid balance, date of last payment of principle, excluding transfers from pledged shares, collateral, and comments regarding the collectibility of each loan in the categories 6 months to less than 12 months and 12 months and over. Payments of interest only should be so identified.

Item No. 11b: The schedule provided for the delinquent loan information is set up in delinquency categories of 2 months to less than 6 months, 6 to less than 12 months, and 12 months and over. Credit unions that compute delinquency using categories other than shown in column (b) may use these other categories and show them in column (a). Credit unions using column (a) need not show the delinquencies in the column (b) categories. It is not necessary to report on loans which are delinquent less than 2 months.

Adverse Trends: If items 8, 9, or 11 indicate adverse trends such as significant decreases in shares, loans or reserves, increases in loan delinquency or loan charge-offs, or unresolved serious exceptions shown in the State examination report, the credit union may attach an explanation and identify it as "Explanation of Adverse Trends or Unresolved

Examination Exceptions" and assign it a schedule number.

Item No. 14: This item need be

completed only if the credit union owns any of the following:

A. Investments in U.S. Government securities guaranteed as to principle and interest or Federal Agency securities, the market value of which is now less than the book value.

B. Real estate other than that used entirely for the credit union's own office(s).

C. Other investments of any type

except:

1. Loans to other credit unions.
2. Certificates of, or accounts in, federally insured financial institutions.
3. Deposits or accounts in corporate credit unions.

If corporate bonds are listed, please show maturity date, rate of interest on bonds and current yield rate.

If stocks are listed, please show number of shares and bid price.

Please identify the source of the market valuation information and the date of such information.

Item No. 21b: In selecting the largest loans for this Exhibit, list the largest outstanding unpaid loan balance and below has been shown. The number of such loans to be listed will be determined as follows:

If your credit union has the following no. of outstanding loans	You should list the following no. of the largest unpaid balances
Under 100	5
100 to 199	10
200 to 299	15
300 to 399	20
400 or more	25

proceed in descending order by dollar amount until the number specified

If any of the above loans are delinquent, please show the number of months delinquent in the appropriate "Status of Re-payment" column.

Complete the Credit Union Service Organization (CUSO) schedule for each investment/loan to a CUSO.

TERMINATION OF INSURANCE

Should the credit union, after obtaining insurance of member accounts, desire to terminate its insured status, this could be accomplished by complying with the provisions of Section 206(a), (c) and (d) of Title II of the Federal Credit Union Act. This action would require approval by a vote of the majority of the members, and ninety days written notice of the proposed termination date to NCUA. Member accounts would continue to be insured for one year following termination of insurance and the insurance premium

would be paid during that period. After termination of insurance, the credit union shall give prompt and reasonable notice to all members whose accounts are insured that it has ceased to be an insured credit union.

Sections 206(a)(2) and 206(d)(2) and (3) of the Act provide that an insured credit union may also terminate its insurance by converting from its status as an insured credit union under the Act to insurance from a corporation authorized and duly licensed to insure member accounts. In this event, approval is required by a majority of all the directors and by affirmative vote of a majority of the members voting, provided that at least 20 percent of the members have voted on the proposition. Under this provision for termination, insurance of member accounts would cease as of the date of termination.

APPLICATION AND AGREEMENTS FOR INSURANCE OF ACCOUNTS
STATE CHARTERED CREDIT UNION

TO: The National Credit Union Administration Board Date _____

The_____Credit Union,

Insurance Certificate Number_____(if applicable)

_____
(mailing address) (city) (state) (zip code)

applies for insurance of its accounts as provided in Title II of the Federal Credit Union Act, and in consideration of the granting of insurance, hereby agrees:

1. **To permit and pay the cost of such examinations as the NCUA Board deems necessary for the protection of the interests of the National Credit Union Share Insurance Fund.**

2. **To permit the Board to have access to all records and information concerning the affairs of the credit union, including any information or report related to an examination made by or for any other regulating authority, and to furnish such records, information, and reports upon request of the NCUA Board.**

3. **To possess such fidelity coverage and such coverage against burglary, robbery, and other losses as is required by Parts 713 and 741 of NCUA's regulations.**

4. **To meet, at a minimum, the statutory reserve and full and fair disclosure requirements imposed on Federal Credit Unions by Part 702 of NCUA's regulations, and to maintain such special reserves as the NCUA Board may be regulation or on a case-by-case basis determine are necessary to protect the interests of members. Any waivers of the statutory reserve or full and fair disclosure requirements or any direct charges to the statutory reserve other than loss loans must have the prior written approval of the NCUA Board. In addition, corporate credit unions shall be subject to the reserve requirements specified in Part 704 of NCUA's regulations.**

5. **Not to issue or have outstanding any account or security the form of which has not been approved by the NCUA Board, except accounts authorized by state law for state credit unions.**

1.

6. To maintain the deposit and pay the insurance premium charges imposed as a condition of insurance pursuant to Title II (Share Insurance) of the Federal Credit Union Act.

7. To comply with the requirement of Title II (Share Insurance) of the Federal Credit Union Act and of regulations prescribed by the NCUA Board pursuant thereto.

8. For any investments other than loans to members and obligations or securities expressly authorized in Title I of the Federal Credit Union Act, as amended to establish now and maintain at the end of each accounting period and prior to payment of any dividend, an Investment Valuation Reserve Account in an amount at least equal to the net excess of book value over current market value of the investments. If the market value cannot be determined, an amount equal to the full book value will be established. When, as of the end of any dividend period, the amount in the Investment Valuation Reserve exceeds the difference between book value and market value, the board of directors may authorize the transfer of the excess to Undivided Earnings.

9. When a state-chartered credit union is permitted by state law to accept nonmember shares or deposits from sources other than other credit unions and public units, such nonmember accounts shall be identified as nonmember shares or deposits on any statement or report required by the NCUA Board for insurance purposes. Immediately after a state-chartered credit union receives notice from NCUA that its member accounts are federally insured, the credit union will advise any present nonmember share and deposit holders by letter that their accounts are not insured by the National Credit Union Share Insurance Fund. Also, future nonmember share and deposit fund holders will be so advised by letter as they open accounts.

10. In the event a state-chartered credit union chooses to terminate its status as a federally-insured credit union, then it shall meet the requirements imposed by Sections 206(a)(1) and 206(c) of the Federal Credit Union Act and Part 741.208 of NCUA's regulations.

11. In the event a state-chartered credit union chooses to convert from federal insurance to some other insurance from a corporation authorized and duly licensed to insure member accounts, then it shall meet the requirements imposed by Sections 206(a)(2), 206(c), 206(d)(2), and 206(d)(3) of the Federal Credit Union Act and any other applicable federal law.

1.

In support of this application we submit the following schedules:

Schedule No.	Title

CERTIFICATIONS AND RESOLUTIONS

We, the undersigned, certify that we are the duly elected and qualified presiding officer and recording officer of the credit union and that at a properly called and regular or special meeting of its board of directors, at which a quorum was present, the following resolutions were passed and recorded in its minutes:

We, the undersigned, certify to the correctness of the information submitted.

Be it resolved that this credit union apply to the National Credit Union Administration Board for insurance of its accounts as provided in Title II of the Federal Credit Union Act.

Be it resolved that the presiding officer and recording officer be authorized and directed to execute the Application and Agreement for Insurance of Accounts as prescribed by the NCUA Board and any other papers and documents required in connection therewith and to pay all expenses and do all such other things necessary or proper to secure and continue in force such insurance.

We further certify that to the best of our knowledge and belief no existing or proposed officer, committee member, or employee of this credit union has been convicted of any criminal offense involving dishonesty or breach of trust, except as noted in attachments to this application. We further agree to notify the Board if any existing, proposed or future officer, committee member or employee is indicted for such an offense.

_____

(Signature) Chairperson, Board of Directors

_____

(Print or type Chairperson's Name)

_____

(Signature) Secretary, Board of Directors

_____

(Print or type Secretary's Name)

APPENDIX 5

TRADE ASSOCIATIONS

Credit Union National Association (CUNA)
www.cuna.org

P.O. Box 431
Madison, WI 53701
800-356-9655

National Association of Federal Credit Unions (NAFCU)
www.nafcu.org

3138 N. 10th Street, Suite 300
Arlington, VA 22201-2149
800-336-4644

National Association of State Credit Union Supervisors (NASCUS)
www.nascus.org

1655 North Fort Myer Drive
Suite 650
Arlington, VA 22209
703-528-8351

National Federation of Community Development Credit Unions (NFCDCU)
www.cdcu.coop

39 Broadway, Suite 2140
New York, NY 10006-3063
212-809-1850

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