

**Highlights of National Credit Union Administration
Field-of Membership Proposals and Association Comment Letters**

NCUA Board Meeting June 21

Final Rule, Part 701, Chartering and Field of Membership

10:00 a.m.

Board Room, 7th Floor, Room 7047

1775 Duke Street (**All visitors must use Diagonal Road Entrance**)

Alexandria, VA 22314-3428

Association Comment FOM Letters

The Association's Field-of-Membership Working Group and attendees of the Association's comment letter writing sessions provided direct input on this issue. Two comment letters were submitted.

February 8, 2016 Comment Letter

The proposal, the publication of which was unanimously approved by the Board at its November 2015 meeting, was a significant step towards field of membership reform. In summary, the proposal includes changes to the Chartering and Field of Membership Manual to provide more flexibility and strategic options for federal credit unions serving community charters, multiple common bond charters, underserved areas, and others.

The Association's comments are largely in support of the proposal. The Association provided support and comments on the following topics:

- Reasonable Proximity through Members' Online Access to Services-support technological considerations to serve groups thereby diversifying membership bases;
- Other Persons Eligible for Credit Union Membership-supports honorably discharged veterans of any branch of the United States Armed Forces within its affinity groups; expand to include larger veterans' service groups such as the local chapters of the Disabled American Veterans, Veterans Services Offices, American Women Veterans groups, American Legion, and any other organizations whose primary mission is to serve the branches of the United States Armed Forces;
- Streamlined Determination of Stand-Alone Feasibility of Groups Greater than 3,000-should be increased to a threshold of 5,000 to at least 10,000;
- Population Limit as Applied to a Well-Defined Portion of a Core-Based Statistical Area ("CBSA")- support the consideration of CBSAs that are highly concentrated in terms of population that may contain smaller portions, but the population limit as a whole should be eliminated in its entirety, or, in the alternative, increased to at least 5 million.
- Use of Combined Statistical Area-support; no restriction on serving only one MSA or CBSA in a CSA as many members would likely live or participate in activities in the other MSA or CBSA;
- Addition of an Area Adjacent to a CBSA- support as well as support the move back to a narrative approach;
- Multiple Common Bond Credit Unions-support;
- Trade, Industry or Profession ("TIP") as a Single Common Bond-support; vendors and contractors who are closely associated with a particular trade or industry by means of outsourced work or independent contracting should be allowed access to credit union service;
- Exclusion of Non-Depository Institutions and Non-Community Credit Unions when Calculating the Concentration of Facilities Ratio-support as appropriate and necessary;

non-depository institutions and non-community credit unions cannot and do not serve the proposed area, and therefore should not be included in a calculation of a proposed area's concentration of facilities ratio;

- Automatic Approval-support and expand to include agricultural cooperatives; school-based and community-based athletic groups; and academic extra-curricular and club activities;
- Conversion Process-support grandfathering process for credit unions to maintain its current FOM upon conversion to a federal charter;
- Data Sources-support additional sources; and
- Effect on the State Charter-support to strengthen the federal chartering system as it ultimately supports the dual system.

Further reform:

- Any two federal charters should be able to voluntarily merge and should be able to pick their resulting charter type upon the merger; and
- Credit unions with adjacent counties should be permitted to merge with any community credit unions even if their FOM is not completely contained within the acquiring credit union's common bond to avoid emergency mergers or any decline in smaller credit unions due to the inability to select a local, preferred merger partner.

December 9, 2016 Comment Letter

The Association provided support and comments on the following topics:

- Support for the return to the narrative approach. The Association is of the position that the NCUA should allow credit unions the option to elect either the narrative approach, or the presumptive community model, to support any proposed change to FOM. Greater flexibility in the application process eliminates superficial boundaries that are created when credit unions are forced to operate only within the boundaries of presumptive communities. Local credit unions are better situated to understand the boundaries, make-up, and needs of their communities, and the ability to use either the narrative approach or the presumptive community approach will allow the maximum number of individuals to be eligible for credit union membership and their products and services.
- Support for the provisions which will permit a credit union to designate a portion of a CBSA as its community without regard to division boundaries.
- The Association questioned the need for an upper cap on the population of a core based statistical area. Numerical caps are often manufactured concepts that ultimately serve as nothing more than a limitation. Other standards are in place to prevent a well-defined local community from expanding too far. The FCUA does not impose a numerical population limit, and therefore a numerical limit is not statutorily required, particularly as the concept of a well-defined local community in and of itself is not limited to a finite number. Such a numerical limit constrains who a credit union can serve and is arbitrarily designed to limit a credit union that could serve a well-defined community that is larger than 10 million people safely and soundly.