



NATIONAL CREDIT UNION ADMINISTRATION  
Washington, D.C. 20456

Office of General Counsel

GC/HMU:bhs  
SSIC 6010  
89-0708

August 25, 1989

Board of Directors  
Winslow Santa Fe Credit Union  
P.O. Box 1405  
Winslow, Arizona 86047

Re: Field of Membership (Your July 5, 1989,  
Letter to Becky Baker)

Dear Sirs/Madams:

You asked that the NCUA prohibit the Gallup Santa Fe Federal Credit Union (Gallup FCU) from expanding its field of membership (FOM) by opening a branch office in Winslow to serve employees of railroad lines that run into Winslow. Gallup FCU does not need permission from NCUA to open a branch office in Winslow to serve those that are already within its FOM.

As you may know, the NCUA Board recently adopted IRPS 89-1 -- Chartering and Field of Membership Policy. It has been longstanding policy that a proposed expansion to an FCU's field of membership must be submitted to and approved by the NCUA. (See IRPS 89-1, Chapter 2, 54 Fed. Reg. 31175-79, 7/27/89, enclosed.) We have contacted NCUA's Region V Office in Austin to ascertain Gallup FCU's current field of membership. According to Region V, the FOM of Gallup FCU currently includes employees of Santa Fe Railroad who work on runs originating in the first district of the New Mexico division. It is our understanding that these runs go into Winslow. The Winslow branch of Gallup FCU will serve those employees. Gallup FCU does not need to submit an expansion

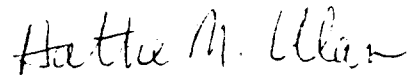
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request to NCUA since employees of Santa Fe Railroad lines running into Winslow are already included in its FOM.

Do not hesitate to contact us if further questions arise.

Sincerely,

A handwritten signature in cursive script that reads "Hattie M. Ulan".

HATTIE M. ULAN  
Assistant General Counsel

Enclosure

cc: Regional Director, Region V (Austin)

FAX: 312-889-6211

Kentucky	Louisiana
Mississippi	Arkansas
North Carolina	Georgia
South Carolina	Alabama
Mississippi	Florida

**REGION IV—CHICAGO**

100 Park Blvd., Suite 155  
Itasca, Illinois 60143  
Commercial: 312-250-6000  
FTS: 8-312-250-8000  
FAX: 312-889-9707

Wisconsin	Indiana
Michigan	Illinois
Ohio	Missouri

**REGION V—AUSTIN**

4800 Spicewood Springs Road  
Suite 5200  
Austin, Texas 78759  
Commercial: 512-482-4500  
FTS: 8-770-4500  
FAX: 512-482-4511

Kansas	New Mexico
Oklahoma	Utah
Arizona	Texas

**AUSTIN SUBOFFICE**

320 6th Street, Room 202  
Sioux City, Iowa 51101  
Commercial: 712-233-3233  
FTS: 8-862-3233  
FAX: 712-255-9145

Minnesota	South Dakota
Iowa	North Dakota
Nebraska	Wyoming
Colorado	

**REGION VI—PACIFIC**

2300 Clayton Road  
Suite 1350  
Concord, California 94520  
Commercial: 415-486-3490  
FTS: 8-449-3490  
FAX: 415-486-3729

Washington	Montana
Oregon	Idaho
California	Nevada
Alaska	Guam
Hawaii	

**Exhibit B—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.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 1989.  
National Credit Union Administration Board  
on behalf of the National Credit Union  
Share Insurance Fund

**Regional Director**

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 \_\_\_\_\_, 1989.

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.

\_\_\_\_\_ Federal Credit Union

By \_\_\_\_\_

Date \_\_\_\_\_

Chief Executive Officer (President)

Date \_\_\_\_\_

Chief Financial Officer (Treasurer)

Date \_\_\_\_\_

Chief Recording Officer (Secretary)

**Chapter 2—Changes in Field of Membership**

As in the case of NCUA chartering policy, the goals for field of membership expansion are:

A. To uphold the provisions of the Federal Credit Union Act concerning the granting of Federal charters;

B. To promote credit union safety and soundness; and

C. To make quality credit union service available to all *eligible groups* who wish to have it.

A Federal credit union's field of membership is an official statement which specifically defines who may become a member of the credit union. It is recorded in section 5 of the credit union's charter.

Any change to the field of membership, whether it is an addition, deletion, or simple update, must be reflected formally in section 5 of the credit union's charter. Changes to section 5 are normally initiated by the officials of the respective Federal credit union and submitted in writing to the appropriate NCUA Regional Office for approval.

The National Credit Union Administration Board has delegated the authority to the Regional Directors to act on most charter amendment requests. This delegation enables the Agency to respond to the majority of requests promptly. However, certain complex proposals require special investigation by the Regional Directors, and may also require consultation with other Regional Directors and the Agency's Central Office. Applicants submitting such complex proposals will be advised in writing of the need for special review and the likelihood of extra processing time.

**Reasons for Requesting an Amendment**

A Federal credit union's board of directors may wish to request a field of membership amendment for a variety of reasons, including, but not limited to:

—Providing credit union access and service to an additional, clearly-defined group of persons who desire to be served by the applicant credit union;

- Accommodating sponsor acquisitions or reorganization;
- Diversifying the membership base in order to withstand real or potential economic adversities (e.g., sponsor shutdown or cutback, economic downturn);
- Merger with another credit union;
- Expanding the membership base to facilitate an improvement of service to all members.

#### *Field of Membership Addition Requests—Types and Criteria*

Four types of charters exist (occupation, association, community, and multiple group) for purposes of establishing a Federal credit union. Field of membership expansions are achieved by adding groups (either occupational, associational or community) to an existing credit union.

The definition of common bond for purposes of field of membership additions is the same as that found in the previous chapter concerning Federal credit union chartering. The examples of groups which do and do not meet the definition of common bond found in that chapter apply to field of membership additions as well. Different criteria apply to occupational, associational and multiple group field of membership additions than apply to community field of membership expansions. These two sets of criteria are discussed below.

Special rules apply for credit union additions to provide service to retiree and senior citizen groups. Additional methods of increasing the field of membership are possible through a merger or a purchase & assumption. All of these types of expansions are discussed briefly below.

Occupational and associational groups which share the same common bond as the credit union's primary sponsor fall under the category of common bond additions. Occupational and associational groups which have a separate common bond from a Federal credit union's primary sponsor (common bond group) are added under the provisions of select group field of membership expansion policy. Select group and common bond expansions are treated somewhat differently.

#### *Additions Within the Common Bond*

Some field of membership expansions for occupational and associational type Federal credit unions can be accomplished along traditional common bond lines. For example, an FCU whose primary sponsor is a particular corporation may add by a charter amendment: the employees of that corporation who work at another location; employees of the corporation

who are paid from or are supervised from the headquarters location, such as sales persons or sales agents who work at a number of locations; employees of a division or majority-owned subsidiary of the parent corporation regardless of location or employees of a related company, such as a company under contract and possessing a strong dependency relationship on the sponsoring corporation.

The written request for an addition must be supported by a letter from an authoritative representative of the organization to be added. This letter should indicate:

- (1) That the group wants to affiliate with the applicant Federal credit union;
- (2) That at present the group does not have the availability of a credit union; and
- (3) The number of persons currently employed by the corporate unit.

Whenever possible, this letter should be submitted on the letterhead stationery of the respective corporate entity. Included with the request for expansion must be a current financial statement for the applicant Federal credit union.

For associational Federal credit unions, expansions along common bond lines will normally be allowed only at the lowest economically feasible organizational level of the sponsoring association. For example, a Federal credit union serving the members of a local chapter of an association could apply to serve the members of another chapter.

The approval or disapproval of a field of membership amendment request of an existing FCU adding an association which crosses NCUA regional boundaries may be subject to special review, and this may cause some delay in processing. The Regional Director whose jurisdiction includes the applicant credit union will notify the applicant of the special review and will advise the applicant in writing of the estimated time frame needed to reach a decision.

Unlike select group additions, common bond additions do not have operational area requirements. That is, an addition within the common bond may be approved even though the applicant FCU does not have an office in the vicinity of the group to be added.

#### *Select Group Additions*

A select group of persons seeking credit union service from an occupational, associational or multiple group Federal credit union must have its own common bond. The select groups themselves may be either employee (occupational) groups or associational

groups. However, a select group for expansion purposes cannot be defined by a common bond of community. The group's common bond need not be similar to the common bond(s) of the existing Federal credit union. In addition to the group having its own common bond, the following five criteria must be satisfied before an addition request will be approved.

a. All affected groups have requested service from the applicant FCU.

b. The applicant FCU possesses the financial resources and management capability to provide quality credit union service to each group. The applicant credit union's current CAMEL rating and financial condition will be considered under this criterion.

c. The addition request is economically feasible and advisable.

d. The applicant obtains a written statement from each group indicating whether the group is currently eligible for membership or is being served by any other credit union. If the groups are eligible for membership in another credit union, justification must be provided to show that the groups no longer desire that eligibility for continued service. The applicant credit union must provide a written statement from any overlapped credit union concurring or objecting to the overlap.

e. The group must be within the operational area of the home or a branch office of the FCU. Operational area is defined as an area surrounding the home or branch office that can reasonably be served by the applicant as determined by NCUA. Although a new select group alone is not enough to justify a proposed branch office, it is permissible to include new groups as partial justification for a proposed branch office if that office will also improve credit union service to the existing field of membership. However, the current field of membership must comprise a significant portion of the total field of membership to be served initially by the proposed branch office. A branch office means any office of a Federal credit union where an employee accepts payment on shares and disburses loans. An ATM, or similar cash disbursing machine, does not qualify as a branch office for purposes of field of membership expansion.

The process to add a select group to a Federal credit union's field of membership is a relatively simple one. A Federal credit union must submit a formal written request for the expansion to the appropriate Regional Office of NCUA. The request should be signed by the credit union's president or chairman of the board of directors. Accompanying

the correspondence from the requesting credit union should be (1) a letter signed by an authoritative representative of each select group to be added and (2) a current financial statement for the requesting credit union. The letter from the select group should indicate at least the following:

1. The number of employees or members in the select group;
2. Whether the group currently has access to another credit union (if it does, then the other credit union should be specifically identified. A letter from the overlapped credit union should be obtained stating its concurrence or objection. If objections are raised, then the overlapped credit union is required to furnish the number of persons from the select group who are enrolled as members.);
3. That the select group is interested in obtaining service from the requesting credit union and that the group will support the credit union by such means as providing access to its employees or members via payroll deduction, use of employee or member newsletters, etc., and
4. The proximity to the applicant credit union's closest office.

Credit unions using the select group addition alternative should obtain the supporting letter from the group on the select group's letterhead stationery. The letterhead will enable NCUA to correctly identify the proper title of the select group and will provide validation of the select group's location (to ensure that the operational area requirement is satisfied).

It is possible for a Federal credit union to serve the employees or members of a select group who are located outside the operating area of the credit union as long as the select group has its headquarters (or its "paid from") location within the credit union's operating area, or a majority of the company's employees work within the credit union's operational area. However, special care will be exercised by the Regional Directors in considering requests for select associational group expansions where the association's membership is geographically dispersed. The associational chartering policy criteria discussed in Chapter 1 including Chapter 1, IV—Widely Dispersed Associational Charters, will apply in its entirety to select associational group expansion requests.

#### *Community FCU Field of Membership Expansions*

Community Federal credit union's may expand their fields of membership only by redefining the boundaries of their service area. Community charter

policy stipulates that there be regular contact among persons who live or work within a well-defined neighborhood, community or rural district in order to satisfy the common bond requirements of the Federal Credit Union Act. The burden of proof for existence of the common bond is placed upon the applicant credit union.

An existing community Federal credit union may submit a request to expand its area of service by changing the boundaries which define its community field of membership. The enlarged area must constitute a geographical area that could be established as a community credit union under NCUA policy. Also, an existing occupational, associational or multiple group type Federal credit union may apply to convert to a community charter. In order to support a case for such an expansion, the applicant Federal Credit Union must submit a map or maps showing both the existing and proposed boundaries for the field of membership. The most current population figures for the two areas must be obtained and included in the package. The source of the population information must be recorded in the credit union's request. Evidence in the form of surveys or letters from authoritative representatives of prominent groups located in the area to be added must be furnished to show that the residents of the area are interested in affiliating with the applicant credit union. Information concerning the availability of financial services to the residents of the new area must be supplied. Especially important is whether other credit union service is currently available. If present credit union service to the residents of the new area is adequate, there may be no basis for the proposed expansion.

In addition, depending upon the significance of the potential membership increase, the Regional Director may require formulation of a business plan to show how the residents of the new area are to be served and whether the costs of this proposed service can be afforded by the applicant credit union. Whether or not a formal business plan is required, the applicant FCU must submit current financial statements with its proposal.

Finally, in the majority of cases where community credit unions are asking to expand their areas of service and in all cases where a conversion to a community charter is proposed, an NCUA examiner will make an on-site evaluation of the proposal. The examiner will prepare a separate analysis of the proposed expansion independent of the credit union's application. Following completion of the

on-site evaluation and Regional Office review of the examiner's report, the Regional Director will act on the proposal, provided that the size of the proposed area's population does not exceed his delegated authority. If so, the applicant credit union will be formally apprised of the need for NCUA Board consideration.

#### *Addition of Retiree or Senior Citizen Associations*

Special rules apply for retiree or senior citizen groups that seek credit union service. For field of membership addition purposes, these groups are viewed as unique associational groups which do not need to meet all the requirements for associations discussed in Chapter 1. It is NCUA Board policy to make FCU service available to as many senior citizens and retirees as possible who are in fact interested in obtaining access to a credit union. Federal credit unions are encouraged to bring associations of senior citizens or retired persons within their fields of membership, and to sponsor and assist in the formation of such associations where they do not exist. The policies recited in Chapter 1 for associational groups (requiring that the sponsoring association be well-established and that it not be an organization created solely as a vehicle to obtain credit union service) do not apply to retiree or senior citizen associations. Such groups may be formed with the primary purpose of providing eligibility for FCU service to the associations and their members. The definitions of senior citizen or retiree are left to each organization. The operational area criterion does apply to senior citizen and retiree organizations.

#### *Additions Via Mergers and Purchase and Assumptions*

A Federal credit union may obtain the entire field of membership of another credit union through a merger. In general, for mergers where the continuing credit union is federally chartered, the field of membership criteria stipulated in this and the preceding chapter are applicable. The criteria do not apply in the case of emergency mergers.

The following discussion pertains to a continuing credit union that is federally chartered. Most mergers fall into one of two fields of membership categories. The mergers are feasible either because the two credit unions had common sponsors (like common bonds) or were located in the same operational area (multiple group). Two credit unions serving the employees of the same corporation may merge without regard

to the locations of the credit unions' offices. Similarly, two credit unions serving members of the same association may merge even though the two are not located in the same operational area. However, two credit unions with unlike fields of membership may only merge when they are located in the same operational area. Any combination of associational, multiple group, and occupational is permissible as long as the operational area requirement is satisfied. Mergers of any of these three types of field of membership into a community charter are permissible as long as the merging credit union is located within the community credit union's service area. The resulting field of membership remains a community charter.

Mergers of community credit unions into a Federal credit union of any type may be accomplished where the operational area requirement is satisfied and the continuing Federal credit union is not interested in obtaining the field of membership of the merging community charter. The continuing Federal credit union will only obtain the members of record of the merging credit union. Where both credit unions are community charters and the criteria for expanding the service area of a community credit union (as discussed previously in this chapter) are satisfied, the entire field of membership of the merging credit union will be added to the continuing Federal credit union's charter.

Regardless of the type of credit union involved where the merging credit union is suffering such severe financial difficulties that it will become insolvent within six months, it may merge into any Federal credit union in the same operational area. If the merging credit union is community based, its field of membership will be transferred intact to the continuing Federal credit union. In this case, the continuing Federal credit union will remain as an occupational, associational, multiple group, or community charter for purposes of future field of membership expansions.

Finally, a specifically designated emergency merger may be approved by the NCUA Board without regard to field of membership or other legal constraints. An emergency merger involves NCUA's direct intervention. The credit union to be merged must either be insolvent or in danger of insolvency and the NCUA Board must determine that:

- A. An emergency requiring expeditious action exists;
- B. Other alternatives are not reasonably available; and

C. The public interest would best be served by approving the merger.

In an emergency merger situation, NCUA takes 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 credit union.

Another alternative for acquiring the field of membership of a failing credit union is through consolidation known as purchase and assumption. A purchase and assumption has limited application because the failing credit union must be placed into involuntary liquidation. However, in the few instances where purchase and assumption may occur, the assuming Federal credit union may acquire the entire field of membership along with loans, shares and certain designated assets and liabilities, without regard to field of membership expansion restrictions and without changing the character of the credit union for purposes of future field of membership expansions.

#### *Spin-Offs*

A "spin-off" is, in effect, a partial merger. By agreement of the parties, a portion of the field of membership of a credit union, along with assets, liabilities, and capital, is transferred to a new or existing credit union. If the spin-off goes to a new Federal charter, the requirements of Chapter 1 apply. If it goes to an existing Federal charter, the requirements of Chapter 2 apply. Prior to completion, NCUA must approve all spin-offs in which a Federal credit union is involved.

**Overlaps**—See Chapter 1 for discussion.

**Exclusionary Clauses**—See Chapter 1 for discussion.

#### **Reviewing Field of Membership Addition Requests**

All field of membership requests will be reviewed by Regional Office staff in order to ensure that the requests conform to NCUA policy, are properly documented and do not cause significantly harmful or unreasonable overlap with the fields of membership of existing credit unions. NCUA understands and appreciates the importance of timely processing of well-supported addition requests. To respond to this desire for prompt handling, each Regional Office has established a goal

of ten working days from the date of receipt in the Regional Office for complete processing of a routine addition request. A fully documented request that fulfills all of the criteria discussed in this manual and does not require written or telephone follow-up will normally be processed within this time.

In some cases, an on-site review by NCUA examiner staff may be requested by the Regional Director before acting on a proposed addition. Nonstandard or controversial requests, those involving associational, community or multiple charters, or those from credit unions with serious operational or management problems, are most likely to fall into this category. In addition, as stated in the earlier discussion in this chapter under community charter expansions, the Regional Director may, at his discretion, after taking into account the significance of the field of membership expansion proposed, require the applicant to submit a business plan.

The condition of the requesting credit union will be considered in every instance. The economic feasibility of expanding the field of membership of a credit union with serious management or operational problems must be carefully considered by regional staff if the safety and soundness of the credit union is to be preserved. In most cases, field of membership additions will only be approved for credit unions which are operating satisfactorily. If a Federal credit union is having difficulty providing good service to its current membership, it may have even more difficulty serving an enlarged field of membership. In some cases, expanding the field of membership of a struggling credit union may do more harm than good. A struggling credit union's resources need to be focused on current problems. Placing an additional strain on these resources by increasing the field of membership may also increase the credit union's problems.

If the requested addition is approved by the Regional Director, the credit union will be furnished a formal, updated section 5 of its charter which restates the entire field of membership, including the requested addition. After action by the board of directors, the form should be promptly filed with the credit union's official charter and bylaws.

If the request is denied by the Regional Director, the credit union will be so advised in writing and furnished specific reasons for the denial. This correspondence may include suggestions and other options for the credit union's consideration. This letter will also

include information about the availability of the appeals process. If a credit union's request is disapproved by the Regional Director, the credit union may appeal the decision (or request a review of the policy involved) to the NCUA Board through the appropriate Regional Director.

#### *Service Status Reports*

Federal credit unions which frequently add select groups to their fields of membership should be prepared to furnish a written summary of the results of their efforts to bring service to the employees or members of the select groups. The Regional Offices will request periodically that such FCU's submit service status reports to NCUA showing, at a minimum, the number of primary potential members of each select group added and the number of persons from each select group who have actually enrolled as credit union members. These service status reports can be enlarged to require information concerning aggregate share and loan activity by select group or participation in other credit union services. In any event, Federal credit unions using the select group addition method should implement an information gathering system early in their addition/diversification program to track their progress in bringing service to the potential members of their select groups.

This information will help the credit union to operate efficiently and will give management the data necessary to make decisions about marketing strategy, new promotions, implementation of new services, etc. The service status reports will enable NCUA to determine which Federal credit unions are serving newly-added groups, as well as any Federal credit unions that are not serving new groups. If the NCUA determines that a Federal credit union is not adequately serving new groups, the Regional Director may remove the select group(s) not being served from Section 5 of the credit union charter.

#### **Chapter 3—Charter Conversions**

A charter conversion is a change in the jurisdictional authority under which a credit union operates. A credit union's charter is the instrument given to the institution by the government, either state or Federal, granting to it the authority to carry out credit union business in accordance with law.

Federal credit unions receive their charters from NCUA and are subject to its supervision, examination, and regulation; they are incorporated under Federal law. 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 supervisory authority. If the state-chartered credit union is federally insured by NCUA, it will also fall under NCUA's jurisdiction.

A Federal credit union's power and authority are principally derived from the Federal Credit Union Act and NCUA Rules and Regulations. State-chartered credit unions are principally governed by state law and regulation.

There are two types of charter conversions: Federal charter to state charter, and state charter to Federal charter. Although common bond is not an issue from NCUA's standpoint in the case of a Federal to state charter conversion, the procedures and forms relevant to such a conversion have been included.

#### **I—Conversion of a State Credit Union to a Federal Credit Union**

##### *A. General Requirements*

Any state-chartered credit union may apply to convert to a Federal credit union. In order to convert, it must:

1. Comply with state law regarding conversion;
2. File proof of compliance with NCUA;
3. File the required preliminary documents with NCUA;
4. Upon NCUA's approval of the preliminary documents file a proposed Federal credit union organization certificate;
5. Comply with the requirements of the Federal Credit Union Act, e.g., common bond and reserve requirements; and
6. Be granted a charter by NCUA.

Conversions are treated the same as any initial application for a Federal charter, including mandatory on-site examination by NCUA. NCUA will also consult with the appropriate state authority regarding the credit union's current 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 application.

A converting state credit union's proposed field of membership must conform to NCUA chartering policy. However, existing members who would not be within the revised field of membership will be allowed to retain their membership after the conversion.

##### *B. Submission of Conversion Proposal to NCUA*

The following actions are to be taken before submitting a conversion proposal:

1. The credit union board must approve a proposal for conversion.
2. The Application to Convert (NCUA Form 4401) must be completed. Its purpose is to provide the Regional Director with information on the present operating policies and financial condition of the credit union and the reasons why the conversion is desired. A continuation sheet may be used if space on the form is inadequate. Particular attention should be given to answering the question on the reasons for conversion. These reasons should be stated in specific terms, not as generalities.
3. The Application must be accompanied by all required attachments. Additional attachments not specified in the Application but which must also be provided are:
  - a. Evidence that the state supervisory authority is either in agreement with the conversion proposal or, if not in agreement, the reasons therefor; and
  - b. The Application for Insurance of Accounts (Form NCUA 9600) in the case of a state credit union that is not federally insured.
  - c. The Federal Credit Union Investigation Report, Conversion of State Charter to Federal Charter (Form NCUA 4000).
  - d. The most current financial and statistical report.

##### *C. NCUA Consideration of the Application to Convert*

1. *Review by the Regional 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 Regional Director may make further investigation into the proposal and may require the submission of additional information to support the request to convert. At this point, NCUA will conduct an on-site review of the credit union.

2. *Examination and Payment of Fees.* NCUA will examine the books and records of the credit union on-site. NCUA will charge the credit union an examination fee. Nonfederally-insured credit unions will also be assessed an application fee.

3. *Conditions to the Approval.* The Regional Director will specify any special conditions that the credit union must meet in order to proceed with the conversion. When necessary, this will include changes to the credit union's